

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and
Subsidiaries

Consolidated Financial Statements for
the Years Ended December 31, 2012
and 2011, and Independent Auditors'
Report Dated February 22, 2013

Nacional Financiera, S.N.C.
Institución de Banca de Desarrollo and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 México D.F.

Independent Auditors' Report and Consolidated Financial Statements for 2012 and 2011

Table of contents	Page
Independent Auditors' Report	1
Consolidated Balance Sheets	3
Consolidated Statements of Income	5
Consolidated Statements of Changes in Stockholders' Equity	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	10



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Independent Auditors' Report to the Board of Directors and Stockholders of Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and to the Secretaría de la Función Pública

We have audited the accompanying consolidated balance sheets of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and Subsidiaries (the "Institution") which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory.

Management's Responsibility on the Consolidated Financial Statements

The management of the Institution is responsible for the preparation and presentation of consolidated financial statements in accordance with accounting principles established by the National Banking and Securities Commission of Mexico (the Commission) through the "General Provisions applicable to Credit Institutions" (the Provisions) and internal control that management of the institution considers necessary to enable it to prepare consolidated financial statements that are free from significant inaccuracies due to fraud or error.

Responsibility of Independent Auditors

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institution's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

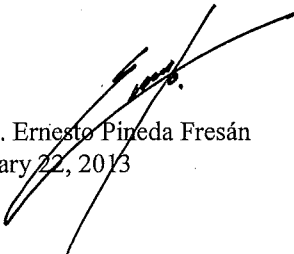
In our opinion, the consolidated financial statements of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and Subsidiaries as of December 31, 2012 and 2011, has been prepared in all material respects accordance with the accounting criteria established by the Commission.

Emphasis paragraph

As established in Note 23, on October 2, 2012 and December 6, 2011, the Institution made the payment of MX \$1,800 and \$1,250 million as established in official notice number 102.-B-146 and 102.-B-188 dated September 25, 2012 and December 6, 2011, respectively, and issued by the Office of the Assistant Secretary of the Treasury Department, in which the Federal Government ordered the payment of non-tax charges for the sovereign guarantee by the Federal Government of the liabilities contracted by the Institution, as established in article 26 of the "Federal Law of the Budget and Fiscal Responsibility". Such payment was made with a charge to the Institution's profits and is shown in the "Other income (expense) of the operation" account in the consolidated statements of income in 2012 and 2011. Furthermore, as indicated in Note 22, in meetings held on September 27, 2012, the Board of Directors authorized the Institution to take the necessary measures to request from the Federal Executive, through the Treasury Department, a capital contribution of MX \$950 million, in order to be able to support the volume of the development and investment banking operations, and also obtain a prudential capitalization level for the close of the year 2012, which was provided on October 25, 2012.

As indicated in Note 31 to the consolidated financial statements, as of December 31, 2012, the Institution recognized the retrospective effect of the transfer of MX \$2,859 million to results from previous years, which refers to the results from the valuation in associated and affiliated companies of the permanent investment which the Institution holds in a number of companies, in conformity with Official Notice al 113-1 51824/2012 issued by the Commission on November 6, 2012.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. Ernesto Pineda Fresán
February 22, 2013

Nacional Financiera, S. N. C.
 Institución de Banca de Desarrollo and Subsidiaries
 Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 México D.F.
Consolidated Balance Sheets
 As of December 31, 2012 and 2011
 (In millions of Mexican pesos)
 (Notes 1, 2, 3)

	2012	2011
Assets		
Cash and cash equivalents (Note 5)	\$ 19,435	\$ 17,743
Investment in securities: (Note 6)		
Trading	191,885	181,766
Available for sale	2,257	2,228
Held to maturity	12,214	14,254
	<u>206,356</u>	<u>198,243</u>
Debtors from repurchase agreements (Note 7)		123
Derivatives (Note 8)	54	59
Trading purposes	<u>383</u>	<u>326</u>
Coverage purposes	437	385
Valuation adjustments due to financial assets hedge (Note 8)	73	243
Current loan portfolio: (Note 9)		
Commercial loans-		
Commercial activity	17,105	15,806
Financial entities	84,606	83,779
Government entities loans	9,004	10,364
	<u>110,715</u>	<u>109,949</u>
Consumer loan portfolio	2	1
Mortgage loans	159	173
Federal government's financial agent	4,320	7,097
Total current loan portfolio	<u>115,196</u>	<u>117,220</u>
Past-due loan portfolio:		
Commercial loans-		
Commercial activity	18	35
Financial entities	<u>108</u>	<u>138</u>
	126	193
Consumer loan portfolio	3	4
Mortgage loans	20	19
Total past-due portfolio	<u>149</u>	<u>216</u>
Total loan portfolio (Note 9)	115,345	117,436
Allowance for loan losses (Note 10)	(2,516)	(2,380)
Loan portfolio (net)	<u>112,829</u>	<u>115,056</u>
Other receivables (net) (Note 11)	2,501	2,447
Reposessed assets (net) (Note 12)	27	25
Property, furniture and equipment (net)	1,623	1,772
Other investments (Note 13)	31	43
Permanent investments (Note 14)	4,675	2,699
Other assets, deferred charges and intangibles	1,087	1,030
Total assets	\$ 349,074	\$ 339,814
Liabilities		
Traditional deposits:		
Term deposits: (Note 15)		
Money market	\$ 101,857	\$ 106,420
Issued credit titles:		
Bank bonds (Note 16)	11,084	7,021
Securities placed abroad (Note 17)	<u>12,701</u>	<u>12,891</u>
	125,642	126,332
Interbank loans and other loans (Note 18)	1,041	1,203
Payable on demand	4,241	3,234
Short-term loans	6,249	8,047
Long-term loans	<u>11,531</u>	<u>12,484</u>
Creditors from repurchase agreements (Note 7)	189,290	178,396
Derivatives: (Note 8)	59	23
Trading purposes		
Valuation adjustments due to financial liabilities hedge (Note 8)	120	174
Other payables: (Note 19)		
Income taxes	534	489
Employee profit sharing (PTU) payable	164	142
Clearing accounts	348	2,612
Accrued liabilities and other	<u>474</u>	<u>513</u>
	1,520	3,756
Deferred taxes (net) (Note 21)	209	236
Deferred credits	44	64
Total liabilities	328,415	321,465
Stockholders' equity (Note 22)		
Paid-in capital:		
Capital stock	8,805	8,805
Contributions for future capital increases approved by the Board of Directors	1,950	1,000
Share subscription premium	<u>8,922</u>	<u>8,922</u>
	19,677	18,727
Earned capital:		
Capital reserves	1,730	1,730
Results of prior years	<u>(3,275)</u>	<u>(4,128)</u>
Translation gain on foreign transactions	51	57
Effects of valuation on associated and affiliated companies	34	34
Net income	<u>1,358</u>	<u>825</u>
Noncontrolling interest	(66)	(1,352)
Total stockholders' equity	<u>1,048</u>	<u>974</u>
Total liabilities and stockholders' equity	\$ 349,074	\$ 339,814

Memorandum accounts

	2012	2011
Guarantees granted (Note 24)	\$ 518	\$ 295
Contingent assets and liabilities (Note 24)	\$ 31,533	\$ 24,019
Loan commitments (Note 24)	\$ 50,503	\$ 38,172
Property held in trust or under mandate: (Note 25)		
In trust	\$ 759,227	\$ 613,503
Under mandate	\$ 39,957	\$ 38,335
	\$ 799,184	\$ 651,838
Federal government's financial agent	\$ 176,823	\$ 167,327
Property held in custody or under administration	\$ 425,240	\$ 396,333
Collateral received by the entity	\$ 74,832	\$ 72,114
Collateral received and sold or pledged as collateral by the entity	\$ 74,832	\$ 71,991
Investment banking transactions on behalf of third parties, net	\$ 86,113	\$ 86,931
Uncollected accrued interest derived from non-performing loan portfolio	\$ 56	\$ 51
Other record accounts (Note 26)	\$ 519,136	\$ 528,984


"These consolidated balance sheets were prepared in accordance with the accounting criteria for credit institutions issued by the Mexican National Banking and Securities Commission, in accordance with Articles 99, 101 and 102 of the Credit Institutions Law, on a general and mandatory basis, applied consistently, and reflect all the revenues and expenses derived from the transactions performed by the Institution and his subsidiary for the aforementioned periods, which were carried out and valued in accordance with sound banking practices and applicable legal and administrative provisions."


"The amount of historical common stock is \$2,390."

"The consolidated balance sheets were approved by the Board of Directors under the responsibility of the undersigned directors."


"The Head of Internal Audit Area, hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the Institution's Management and its capacity to generate reliable information."

"The consolidated financial statements can be found on page <http://www.nafin.com/portals/content/sobre-nafin/informacion-financiera/informacion.html>"


 Dr. Jozefus Rogozinski S.J.
 Chief Executive Officer
 (In operation as of January 3, 2013)


 Lic. Maria del Carmen Arreola Steger
 Director of Administration and Finance


 C.P. Sergio Navarrete Reyes
 Accounting and Budgetary Control Director


 C.P. Leizaola M. Pérez Gómez
 Head of Internal Audit Area

See accompanying notes to consolidated financial statements.

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and Subsidiaries
 Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 México D.F.

Consolidated Statements of Income

For the years ended December 31, 2012 and 2011
 (In millions of Mexican pesos)
 (Notes 1, 2, 3)

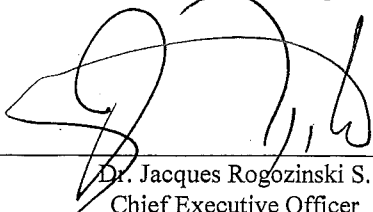
	2012	2011
Interest income (Note 23)	\$ 22,091	\$ 19,745
Interest expense (Note 23)	<u>(19,150)</u>	<u>(18,027)</u>
Financial margin	2,941	1,718
Provision for loan losses	<u>(219)</u>	<u>(151)</u>
Financial margin after provision for loan losses	2,722	1,567
Commission and fee income	1,794	1,499
Commission and fee expense	(119)	(104)
Intermediation result (Note 23)	1,021	1,674
Other operating expenses (Note 23)	(1,377)	(764)
Administrative and promotional expenses	<u>(2,251)</u>	<u>(2,609)</u>
Net operating revenues	1,790	1,263
Equity in results of associated companies	<u>(11)</u>	<u>(9)</u>
Income before current and deferred income taxes	1,779	1,254
Current income taxes (Note 21)	(427)	(457)
Deferred income taxes (Note 21)	<u>43</u>	<u>8</u>
Net income before discontinued operations	1,395	805
Non-controlling interest	<u>(37)</u>	<u>20</u>
Consolidated net income	<u>\$ 1,358</u>	<u>\$ 825</u>

“These consolidated statements of income were prepared in accordance with the accounting criteria for credit institutions issued by the Mexican National Banking and Securities Commission, in accordance with articles 99, 101 and 102 of the Credit Institutions Law, on a general and mandatory basis, applied consistently, and reflect all the revenues and expenses derived from the transactions performed by the Institution for the aforementioned periods, which were carried out and valued in accordance with sound banking practices and applicable legal and administrative provisions.”

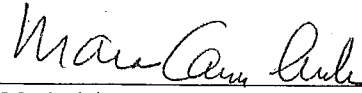
“These consolidated statements of income were approved by the Board of Directors under the responsibility of the undersigned directors.”

“The Head of Internal Audit Area, hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the Institution’s Management and its capacity to generate reliable information.”

"The consolidated financial statements can be found on page
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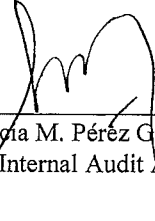
Dr. Jacques Rogozinski S.
Chief Executive Officer
(In operation as of January 3, 2013)



Lic. María del Carmen Arreola Steger
Director of Administration and Finance



C.P. Sergio Navarrete Reyes
Accounting and Budgetary Control Director



C. P. Leticia M. Pérez Gómez
Head of Internal Audit Area

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011
 (In millions of Mexican pesos)
 (Notes 22 and 23)

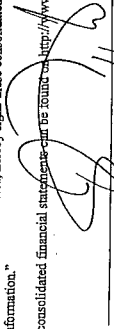
	Paid-in capital		Retained capital		Total						
	Capital stock	Contribution for future capital increases	Share subscription premium	Legal reserves	Results of prior year	Effects of valuation of available for sale	Transition gain transaction	Effects of valuation of associated and affiliated companies	Net income	Noncontrolling interest	Total Stockholders' equity
Balances as of December 31, 2010	\$ 8,211	\$ 5,150	\$ 4,366	\$ 1,730	\$ (8,027)	\$ 12	\$ 130	\$ 2,924	\$ 1,040	\$ 816	\$ 16,332
Result from valuation of associated and affiliated companies	-	-	-	-	3,288	-	-	3,288	-	-	-
Fixed asset accumulated depreciation adjustment	-	-	-	-	(96)	-	-	(96)	-	-	-
Deferred taxes	-	-	-	-	(333)	-	-	(333)	-	-	-
Balances as of December 31, 2010 (As adjusted)	8,211	5,150	4,366	1,730	(5,168)	12	130	65	1,040	816	16,332
Movements inherent to the decisions of stockholders-											
Transfer of prior year's result	-	-	-	-	1,040	-	-	-	(1,040)	-	-
Contributions for future capital increases	594	(5,130)	4,556	-	-	-	-	-	-	-	1,000
Capitalization of contributions for future capital increases	594	(4,130)	4,556	-	-	-	-	-	(1,040)	-	1,000
Movements inherent to recognition of comprehensive result-											
Net income	-	-	-	-	-	-	-	-	805	-	805
Result from valuation of associated and affiliated companies	-	-	-	-	-	-	-	-	(31)	-	(31)
Result from valuation of securities available for sale	-	-	-	-	-	45	-	-	-	-	45
Non-controlling interest	-	-	-	-	-	-	-	-	-	158	158
Total movements inherent to recognition of comprehensive result	-	1,000	-	1,730	(4,128)	45	130	(31)	20	158	178
Balances as of December 31, 2011	8,805	1,000	8,922	1,730	(4,128)	57	130	34	822	974	18,349
Movements inherent to the decisions of stockholders-											
Contributions for future capital increases	-	-	-	-	-	-	-	-	-	-	950
Transfer of prior year's result	-	-	-	-	825	-	-	-	(825)	-	950
Movements inherent to recognition of comprehensive result-											
Net income	-	-	-	-	-	-	-	-	1,395	-	1,395
Result from valuation of associated and affiliated companies	-	-	-	-	28	-	-	-	-	-	30
Result from valuation of securities available for sale	-	-	-	-	-	(6)	-	-	-	-	(6)
Translation gain on foreign transactions	-	-	-	-	-	-	-	-	-	(96)	(96)
Non-controlling interest	-	-	-	-	-	-	-	-	-	74	74
Total movements inherent to recognition of comprehensive result	-	-	-	-	28	(6)	(96)	2	(37)	74	37
Balances as of December 31, 2012	8,805	1,950	8,922	1,730	(3,275)	51	34	36	1,358	1,048	20,659

"These consolidated statements of changes in stockholders' equity were prepared in accordance with the accounting criteria for credit institutions issued by the Mexican National Banking and Securities Commission, in accordance with articles 99, 101, and 102 of the Credit Institutions Law, on a general and mandatory basis, applied consistently, and reflect all the revenues and expenses derived from the transactions performed by the institution for the aforementioned periods, which were carried out and valued in accordance with sound banking practices and applicable legal and administrative provisions."

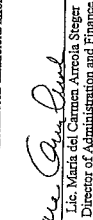
"These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the undersigned directors."

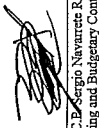
"The Head of Internal Audit Area, hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the institution's Management and its capacity to generate reliable information."

"The consolidated financial statements can be found at: <http://www.nafin.com/portal/contenido/sobre-nafin/informacion-financiera/informacion.html>"


 Jacques Rogozinski,
 Chief Executive Officer

(In operation as of January 3, 2013)


 Lic. María del Carmen Arriola Steger
 Director of Administration and Finance


 C. P. Sergio Navarrete Reyes
 Accounting and Budgetary Control Director


 C. P. Leitch M. Pérez Gómez
 Head of Internal Audit Area

See accompanying notes to consolidated financial statements.

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and Subsidiaries
 Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 México D.F.

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

(In millions of Mexican pesos)

(Notes 1, 2, 3)

	2012	2011
Net income	\$ 1,358	\$ 825
Adjustments derived for items not involving cash flows		
Allowance for doubtful accounts	22	10
Depreciation and amortization	36	39
Provisions	(594)	(990)
Incurred and deferred income taxes	384	449
Share in net income of associated companies	11	9
Other	<u>161</u>	<u>773</u>
	20	290
Operating activities:		
Change in margin account	-	2
Change in investment in securities	(6,281)	(47,525)
Change in debtors from repurchase agreements	123	(123)
Change in derivatives (asset)	811	1,427
Change in loan portfolio (net)	1,828	7,345
Change in other operating assets	206	89
Change in deposits	(2,254)	(10,363)
Change in interbank loans and other loans from other entities	(190)	(7,393)
Change in creditors from repurchase agreements	10,894	53,477
Change in derivatives (liabilities)	(790)	(1,583)
Change in other operating liabilities	(3,037)	2,249
Payments of income taxes	<u>(380)</u>	<u>(388)</u>
Net cash provided by (used in) operating activities	930	(2,786)
Investing activities:		
Payments for acquisition of property, furniture and equipment	114	(1)
Proceeds on disposal of subsidiaries and associated companies	(1)	50
Payments on disposal of subsidiaries and associated companies	(2,134)	(544)
Dividends received in cash	<u>-</u>	<u>20</u>
Net cash used in investing activities	<u>(2,021)</u>	<u>(475)</u>
Financing activities:		
Contributions for future capital increases	<u>950</u>	<u>1,000</u>
Net cash from financing activities	<u>950</u>	<u>1,000</u>

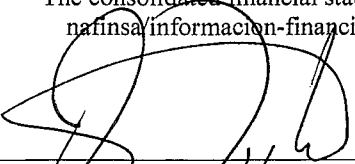
	2012	2011
Net increase (decrease) in cash and cash equivalents	<u>1,237</u>	<u>(1,146)</u>
Adjustment to cash flows for changes in exchange rate	455	2,192
Cash and cash equivalents at beginning of year	<u>17,743</u>	<u>16,697</u>
Cash and cash equivalents at end of year	<u>\$ 19,435</u>	<u>\$ 17,743</u>

“These consolidated statements of cash flows were prepared according to the Accounting Criteria applicable to credit institutions issued by the National Banking and Securities Commission per articles 99, 101 and 102 of the Law on Credit Institutions, which are of a general and mandatory nature, must be applied consistently and reflect the income and expenses resulting from the transactions performed by the Institution during the above period, which were realized and valued according to sound banking practices and applicable legal and administrative dispositions.”


“These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the undersigned directors.”

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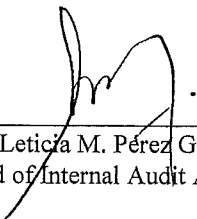
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Head of Internal Audit Area

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012 and 2011
 (In millions of Mexican pesos)

1. Organization and objective

Nacional Financiera, S.N.C. is a Development Banking Institution that operates in accordance with the rules of its own Organic Law, The Law of Credit Institutions (the Provisions) and the rules issued by the National Banking and Securities Commission (the "Commission").

The objectives of Nacional Financiera, S.N.C. and its subsidiaries (the "Institution") are to promote the integral development and modernization of the industrial sector with a regional approach; stimulate the development of small and medium sized enterprises by supplying financing, personal empowering and technical assistance, support financial markets development with the purpose of enhancing regional growth and job creation and act as financial agent of the Federal Government in the negotiation, contracting and management of credits from abroad.

The Institution carries out its operations in accordance with financial criteria applicable to development Banks, channeling its funds mainly through Commercial Banks and non-banking financial intermediaries. The principal source of Institution's resources are loans from international development institutions such as the International Bank for Reconstruction and Development ("IBRD") and the Interamerican Development Bank ("IDB"), as well as lines of credit from foreign banks and placement of securities in the international and domestic markets.

At December 31, 2012, the operating structure of Institution abroad includes two branches: one in London, England and another in the Grand Cayman.

Article 10 of the Institution's Organic Law establishes that the Federal Government will respond at all times for the transactions carried out by the Institution with individuals and corporations, with foreign institutions and for the deposits received in terms of such law.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented under the accounting rules issued by the Commission. Certain accounting practices applied by the Institution that conform with the accounting rules issued by the Commission may not conform with accounting principles generally accepted in the country of use

- a. *Consolidation of financial statements* - The consolidated financial statements include the financial statements of Nacional Financiera, S.N.C. and those of its subsidiaries (collectively the "Institution"), whose shareholding percentage in their capital stock is shown below:

Subsidiary	Ownership Percentage	
	2012	2011
Financing activities:		
Operadora de Fondos Nafinsa, S.A. de C.V.	99.99	99.99

	Ownership Percentage	
	2012	2011
Non-financing activities:		
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	66.36	56.49
Specific purpose entities (trusts):		
Direct public sale of securities program	100	100
ATISBOS	100	100
Fideicomiso 11480 Fondo para la Participación de Riesgos -	100	100
Additional services:		
Plaza Insurgentes Sur, S.A. de C.V.	99.99	99.99
Pissa Servicios Corporativos, S.A. de C.V. (in liquidation)	99.99	99.99

The intercompany balances and transactions have been eliminated in these consolidated financial statements.

The main activities of the subsidiaries (financial, nonfinancial and complementary services of the institution) are as follows:

Operadora de Fondos Nafinsa, S.A. de C.V.-

Contribute to the development of financial markets by promoting market access for small and medium investors.

Corporación Mexicana de Inversiones de Capital, S.A. de C.V.-

Invest in private equity funds and also promote medium-term and long-term productive investment, encouraging the institutionalization, development and competitiveness of small and medium (Pyme). This company was established in August 2006 as part of the stock portfolio of certain development banking institutions.

Trust for the direct public sale of securities program -

Administration of the resources held in trust to perform the activities necessary to develop and implement the Direct public sale of securities program, in accordance with the operating rules, if any, authorized by the Technical Committee.

ATISBOS trust-

Administration of the resources held in trust to perform the activities necessary to regularize the company named Editorial "Atisbos, S.A.", and transfer its assets to the trustee or the person indicated by the Technical Committee.

Trust 11480 Fund for Risk Equity -

In order to have the vehicles to comply with the institutional objectives related to providing access to formal financing for micro, small, and medium-sized Mexican companies (MiPyMes), the Institution implemented the Guarantee Program, whereby it shares the credit risk on the loans granted by financial intermediaries determined by the Technical Committee, the credit risk of the loans that they grant to companies and domestic natural persons.

The result of this trust as of December 31, 2012 and 2011 is \$1,225 and \$1,013, respectively; the effect of the main income of this trust is reflected under the Collected commissions and rates line item in the consolidated income statement. Note that such results do not include operating expenses given that the Institution, in its capacity as Trustor, provides support through human, information, and material resources because it does not have its own organizational structure.

Considering the importance and impact in the Institution's consolidated financial statements for the guarantee program established by the Institution, whose control and registration is reflected in the accounts of the Trust 11480 Fund for Risk Equity, such effects were recognized in the consolidated financial information as of December 31, 2011.

Plaza Insurgentes Sur, S.A. de C.V.-

Provides its principal shareholder (the Institution) real estate services through the leasing of space and furnishings, as well as adaptation office with programs of preventive and corrective maintenance to the infrastructure.

Pissa Servicios Corporativos, S.A. de C.V. (in liquidation) -

Provides supplementary or auxiliary services in managing or realizing the corporate purpose of any domestic lending company which is or might become its stockholder, as well as of auxiliary companies and trusts thereof.

- b. **Comprehensive income** - This is the modification of capital accounts during the year for concepts that are not distributions and movements of contributed capital. It consists of net income for the year plus other items that represent a gain for the same period, which are presented directly in the stockholders' equity without affecting the consolidated statements of income.

3. Summary of significant accounting policies

The accounting principles used by the Institution are in accordance with the accounting criteria established by the Commission in the Provisions in their circulars, as well as general and specific trades which has been issued for this purpose, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures. However, actual results may differ from such estimates. The Institution, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances.

Changes in accounting policies

Changes in the Commission's Accounting Criteria

Changes which took place during 2012

During 2012 certain modifications to the accounting criteria for credit institutions were published in the Federal Official Gazette.

The purpose of these changes is to bring about consistency with Mexican Financial Reporting Standards and International Financial Reporting Standards (IFRS), while also providing more complete financial information, with more comprehensive and useful disclosures. The changes focus principally on loan portfolio, trusts and consolidation of special purpose entities.

The significant accounting policies are as follows:

- Accounting Treatment B-6 "Loan Portfolio" of the Provisions is modified, mainly to establish the following:
 - The treatment for loan restructurings and renewals, as well as the respective commissions and costs.
 - The commissions collected for loan restructurings or renewals are added to the commission for granting the loan, and recognized as a deferred credit, which is amortized to earnings as interest income using the straight-line method over the new term of the loan.

- When several loans granted to the same borrower are consolidated into a single loan through a restructuring or renewal, the treatment applicable to the worst of the loans involved will be applied to the total balance outstanding immediately following the restructuring or renewal.
- In order to demonstrate that there is sustained payment, the Institution must provide evidence to the Commission to justify that the borrower has sufficient payment capacity. Evidence to be taken into consideration for such purposes include, at a minimum, the following: the intrinsic probability of borrower default, the collateral provided for the restructured or renewed loan, the payment priority for other creditors, and the liquidity of the borrower given the loan's new financial structure.
- It is also established that the presentation of the commissions collected and paid should be made net of the respective costs and expenses.
- On the cancellation date of the credit line, the unpaid balance of commissions collected for credit lines which are canceled before the end of the 12 month period, will be recognized directly in earnings under the heading "Commissions and fees collected".
- The requirements that must be fulfilled in order to demonstrate sustained payment on the part of the borrower.
- With regard to maturity deadlines, monthly periods with the following equivalencies may be used:
 - a) With regard to maturity deadlines, monthly periods with the following equivalencies may be used:
- Accounting Treatment B-10 "Trusts" of the Provisions is modified, to incorporate the following:
 - a) Assets held in Trust is defined as: money, and other goods, securities or rights entrusted to the fiduciary as well as any increases or reductions, in the respective proceeds or expenses.
 - b) When involving the assets held in those trusts which request and maintain the registration of their securities in the National Securities Registry, they must be valued based on the accounting standards established for such purposes by the Commission through General Provisions Applicable to the Issuers of Securities and Other Stock Market Participants.
- Accounting Treatment C-5 "Consolidation of special-purpose entities" of the Provisions is modified, by eliminating that related to the identification of a Nonconsolidatable EPE.

The accounting policies followed by the institution are summarized below:

- a. **Recognition of the effects of inflation on the financial information** - The annual cumulative inflation of the three years prior to December 31, 2012 and 2011 is 11.66% and 14.40%, respectively. Accordingly, the economic environment of both years is classified as non-inflationary. Accordingly, the effects of inflation are not recognized in the consolidated financial statements. Annual inflation rates for the years ended December 31, 2012 and 2011 were 3.91% and 3.65%, respectively.
- b. **Cash and cash equivalents** - These are recorded at face value. Funds available in foreign currency mostly refer to sight deposits denominated in U.S. dollars and are valued at the exchange rate published by Banco de México in the Official Federal Register ("DOF"), on the business banking day subsequent to the valuation date.

Foreign currency acquired that must be settled on a date after the completion of the purchase and sale transaction, is recognized as restricted funds available (foreign exchange to be received). Foreign currency sold is recorded as a credit in funds available (foreign exchange to be delivered). The counterparty is recorded in a debt settlement account when a sale is made and in a credit settlement account when a purchase is made.

For purposes of presentation in the financial information, foreign currency settlement accounts receivable and payable are offset by contract and duration and are presented under the heading of other accounts receivable (net) or other accounts payable, as the case may be.

This heading also includes interbank loan transactions agreed at a term equal to or less than three business days, as well as other funds available such as correspondents and notes for immediate collection.

- c. **Margin accounts** - Guarantee deposits for financial derivatives transactions in recognized markets are recorded at face value. Guarantee deposits are intended to achieve compliance with obligations related to derivatives executed in recognized markets and refer to the initial margin and to subsequent contributions or withdrawals made during the effective term of the respective contracts.
- d. **Valuation of foreign currencies** The Institution maintains accounting records for each type of foreign currencies in which it has assets and liabilities, which are valued at the fix exchange rate published by the Bank of Mexico (Banxico) in the Official Journal of the Federation on the business day after the date of transaction or preparation of the consolidated financial statements, as appropriate.
- e. **Investment in securities** - The registration and valuation of investment securities are subject to the following guidelines:

Trading securities:

These securities refer to the Institution's proprietary positions which are acquired or sold to obtain gains based on expectations of future market movements and conditions.

These securities are initially recorded at their acquisition cost and valued at fair value (which includes, as appropriate, the discount or overprice) and corresponds to the agreed price, and subsequently valued at fair value, by applying market values provided by a pricing service authorized by the Commission; the book effect of this valuation is recorded in the consolidated statements of income. Fair value of trading securities includes both the capital component and interest accrued on the securities.

On the date sold, the gain or loss is recognized on the trade for the spread between net realization value and book value.

Cash dividends received from equity instruments are recognized in the consolidated statements of income of the year at the time that generates the right to receive payment thereof.

Securities available for sale:

Debt securities and net equity instruments not intended to obtain gains derived from the price differences resulting from short-term purchase sale transactions and, for debt securities, those without the intent or ability to hold them until maturity, which therefore represent a residual category, i.e., they are acquired with an intention different from negotiable securities or securities held to maturity, respectively.

Available-for-sale securities are initially recorded at their acquisition cost and valued at fair value, by applying market values provided by a pricing service authorized by the Commission. The book effect of this valuation is recorded in stockholders' equity. Fair value of debt securities includes both the capital component and interest accrued on the securities.

On the date sold, the gain or loss is recognized on the trade for the spread between net realization value and book value, upon reversal of the gain or loss on valuation recorded in stockholders' equity.

Cash dividends received from equity instruments are recognized in the consolidated statements of income of the year at the time that generates the right to receive payment thereof.

Held to maturity:

Debt securities with fixed or determinable payments and fixed maturity (which means that a contract defines the amounts and dates of payments to the holding entity) are those which the Institution has the intention and ability to hold until maturity.

At the time of acquisition are recognized initially at fair value, which corresponds to the agreed price, affecting the results for the accrual of interest. At the time of disposal, records income by purchase from the difference between the net realizable value and book value.

The transaction costs on the acquisition of the securities are recognized as follows, depending on the category under which they are classified:

- a) Trading securities: In results of the period the date of acquisition.
 - b) Securities available for sale and securities held to maturity: Initially as part of the investment.
- f. **Impairment in the value of a credit instrument** - The Institution must evaluate whether there is objective evidence that a credit instrument is impaired as of the balance sheet date.

It is considered that a credit instrument is impaired and, therefore, a loss from impairment is incurred if, and only if, there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the credit instrument, which had an impact on its estimated future cash flows that can be determined reliably. It is very unlikely that one event can be identified that is the sole cause of the impairment, and it is more feasible that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of how probable they are.

- g. **Repurchase transactions** - Repurchase transactions are those in which the buying party acquires, for a sum of money, the ownership of securities and undertakes to transfer the ownership of similar securities to the selling party within the agreed-upon term and upon payment of the same price plus a premium. Unless otherwise agreed, the premium is for the buying party.

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. Notwithstanding, the economic substance of repurchase transactions is that of guaranteed financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as protection in the event of default. The repurchase transactions are recorded as indicated below:

On the contracting date of the repurchase transaction, when the Institution acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable at fair value, initially at the price agreed, which represents the obligation to repay such cash to the buying party.

The account payable will be valued subsequently during the useful life of the repurchase transaction at fair value, recognizing the interest on the repurchase agreement based on the effective interest method in results of the year.

When the Institution acts as the buying party on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, recording an account receivable at its fair value, initially at the agreed-upon price, which represents the right to recover the cash delivered.

The account receivable will be valued subsequently during the useful life of the repurchase agreement at fair value, recognizing the interest on the repurchase agreement based on the effective interest method in results of the year.

Collateral granted and received other than cash in repurchase transactions

In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes as follows:

- 1) The purchasing party recognizes the collateral received in memorandum accounts. The selling party reclassifies the financial asset in its balance sheet, presenting it as restricted assets, for which purpose, the valuation, presentation and disclosure rules are followed in accordance with the respective accounting treatment established for credit institutions.
- 2) When it sells the collateral, the purchasing party recognizes the resources from the sale, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral), valued at fair value (any difference between the price received and the fair value of the account payable is recognized in results for the year).
- 3) If the selling party does not comply with the contract conditions established and is therefore unable to claim the collateral, it eliminates it from its balance sheet at fair value against the account payable; by the same token, the purchasing party recognizes the entry of the collateral in its balance sheet, depending on the type of good in question, against the account receivable, or, as the case may be, if it had already sold the collateral, it eliminates the account payable related to the obligation to repay the collateral to the selling party.
- 4) The selling party maintains the collateral in its balance sheet and the buying party only recognizes it in memorandum accounts, except when the risks, benefits and control of the collateral have been transferred due to noncompliance by the selling party.
- 5) The memorandum accounts recognized for collateral received by the buying party are canceled when: i) the repurchase transaction reaches maturity, ii) there is noncompliance by the selling party or, iii) the buying party exercises the right to sell or pledge the collateral received

h. ***Derivative financial instruments and hedging transactions*** - The Institution carries out two types of operations:

- Hedging transactions when derivative financial instruments are traded in order to offset one or various financial risks generated by a transaction or set of transactions associated with a primary position.
- Trading operations when the Institution maintains a derivative financial instrument with the original intent to obtain gains based on changes in its fair value.

Hedging transactions, in accordance with the hedged risk exposure profile, can be:

- 1) Fair value hedge: This consists of hedging exposure to changes in fair value of an asset (or portion thereof) or a liability (or portion thereof) recognized in the balance sheet, an unrecognized firm commitment to buy or sell an asset at a fixed price; or a portfolio of assets, liabilities or firm commitments with similar risk characteristics and that can affect the result of the period.
- 2) Cash flow hedge: This consists of hedging exposure to the variability of cash flows from a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability (such as all or some of the future payments of interest on a credit or debt instrument at a variable interest rate), or with a highly probable event which (ii) may affect the result of the period.
- 3) Hedging of a net investment in a foreign transaction.

Foreign currency hedge:

- a. The gain or loss on valuation of the hedge instrument at its fair value (for a hedge derivative) or the foreign currency component valued in accordance with NIF B-15 (for a non-derivative hedge instrument) should be recognized in income of the period in which it occurs; and
- b. The result from valuation of the hedged item attributable to the risk covered must adjust the book value of such item and be recognized in results of the period. This applies even if the hedged item were valued at cost (for example, when the interest rate risk is covered on a loan portfolio that is valued at amortized cost). The recognition of the result from valuation attributable to the risk hedged in the results of the period applies even if the item hedged is an investment in securities classified as available for sale.

A cash flow hedge transaction must be recognized as follows:

- a. The portion of the gain or loss on the hedge instrument that is effective in the hedge must be recognized in stockholders' equity as part of the other comprehensive income items.
- b. The portion of the gain or loss on the hedge instrument that is ineffective in the hedge must be recognized directly in results of the period.
- c. Share accounts or managed margin (given and received) when derivatives are traded in markets unrecognized, are recorded on "Margin Accounts" and "Sundry creditors and other accounts payable", respectively.
- d. In the accounting criteria of the Commission there is not considered for the valuation of derivative financial instruments (OTC) counterparty risk.

A cash flow hedge must be accounted for as follows:

- a. The effective component of the hedge recognized in stockholders' equity associated with the hedged item must be adjusted to equal the lower of the following items:
 - i. The accumulated gain or loss from the hedge instrument since it started, and
 - ii. The accumulated change in the fair value (present value) of the future expected cash flows from the item hedged since the start of the hedge.
- i. **Foreign currency transactions** - Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The assets and liabilities in foreign currencies are expressed in the national currency using the exchange rate published of Banxico in the DOF the banking day following the date of valuation.
- j. **Current portfolio** - Loans granted are recorded as an asset as of the date on which funds are drawn down and interest is aggregated as accrued, in accordance with the loan payment schedule.

Interest on outstanding credit operations is recognized and credited to the statement of operations as it accrues. Accrued interest is no longer recorded once credits are transferred to the overdue portfolio.

While loans remain classified as overdue portfolio, accrued interest is controlled in memorandum accounts. In the event that this interest should be collected, it is recognized in the income of the year.

Past-due portfolio

The unpaid balance of current loans is recorded as nonperforming portfolio when the following conditions are met:

- It is known that the borrower is declared in bankruptcy proceedings.
- Loans with single payment on principal and interest at maturity and present 30 or more calendar days in arrears.
- Loans with a single payment on principal at maturity and periodic payments on interest that present 90 or more calendar days in arrears of the respective interest payment or 30 or more calendar days in arrears of the principal.

- Loans with periodic payments on principal and interest and present 90 or more calendar days in arrears.
- Revolving loans that present two monthly billing periods or, if applicable, 60 or more calendar days in arrears.
- With regard to maturity deadlines, monthly periods with the following equivalencies may be used:

30 days equals one month, 60 days equals two months and 90 days equals three months.

Impaired portfolio

Commercial credits are considered as an impaired portfolio when, based on current information and events, as well as the review process of such credits, there is a considerable likelihood that both, the principal and interest may not be entirely recovered as set forth in the agreement. Both the current portfolio and past-due portfolio may be identified as an impaired portfolio.

The main policies and procedures established in the guidelines issued by the Institution for granting, controlling and recovering of credits are as follows:

- Any credits granted or guaranteed by the Institution should finance projects and entities that are economically and financially viable.
- The maximum financing limit is determined according to the needs of the investment project and the result from the evaluation of the payment capacity of the entity or project.
- The terms and grace periods of credits are established considering the payment capacity of entities.
- Real guarantees are obtained, preferably real estate, in an adequate and sufficient proportion according to the credit characteristics and, in the case, based on the type of financial intermediary granting such credit.
- All credit guarantees granted by the Institution, are supplemented of those that should be offered by borrower and do not substitute them; therefore financial intermediates should negotiate in each case with the credit recipient the guarantees that support the respective credit.
- The credit recipient must have a proven moral and credit solvency.
- Credit (lending) operations of both Bank Financial Intermediaries (BFI) and Non-Bank Financial Intermediaries (NBFI) are recorded at the headquarters offices of the Institution. Bank Financial Intermediary balances are reconciled quarterly and Non-bank Financial Intermediary balances are reconciled quarterly and Non-Bank Financial Intermediary balances are reconciled monthly.
- Portfolio recovery is performed through the (SIRAC) system, and administered at the headquarters of the Institution by the Management of the Credit Administration.
- No further credit operations will be carried out with an entity that has overdue credits.
- In the loan portfolio, a non payment of 3 up to 90 days, are conducted extrajudicial collection efforts.
- Once 90 days have elapsed after a payment is overdue, the related credit balance is considered overdue and collections are made through legal proceedings, whether directly in the case of direct loans, or through financial intermediates in the case of discounted credits.

The main policies and procedures of the institution for the evaluation and monitoring credit risk according to the type of operation are:

Second-tier operations:

- Type "A" Financial Intermediaries, defined as Banks or factoring or leasing companies which are part of a financial group, which includes a bank. In view of the payment procedure to charge their BANXICO account, these intermediaries are considered within the lower risk level.

A method for assigning credit risk limits to operate with Banks in Mexico known as "Metodologia de Asignacion de Limites de Riesgo Crediticio para Operar con Bancos en Mexico", has been established for these intermediaries. The methodology determines the maximum credit risk levels that may be accepted in each case, with respect to both credit and discounted operations, and to financial market transactions. The follow-up of credit limits is made on a daily basis, and limits are updated monthly.

Considering its high credit ratings, the supervision is carried out by monitoring the intermediary through the evolution of its risk rating and annual visits are made.

- Type "B" Financial Intermediaries; correspond to all NBFIs that are not part of a financial group which includes a bank. These intermediaries are considered as a medium credit risk source, and therefore specific rules and standards have been established that NBFIs should comply with the intermediation of operations involving funds from the Institution.

Supervision mechanisms have been established for these intermediaries, including monthly follow-up of their financial evolution and compliance with rules established. In addition, loans granted to these intermediaries are rated in conformity with the general provisions applicable to the credit institutions, published by the Commission in the Official Daily Gazette on December 2, 2005 subsequent amendments and resolutions, and monitoring visits semiannual or annual in function of their risk rating.

First-tier operations:

- These transactions are marginal for the Institution, and there is a procedure to follow-up credit risk based on the classification of the portfolio credit risk, according to guidelines established.

Guarantee program operations:

- There is a monthly follow-up for the portfolio of guarantee program operations which includes an analysis of harvest, an analysis at a sampling level of the results from the follow-up of processes agreed with banks and also an analysis of the financial evolution of the guarantee trust established in the Institution. In an independent way, the banks that participate in this program submit the credits supported under the guarantee program to their own credit risks follow-up policies and procedures, as well as to the classification of risk according to the guidelines established.

- k. **Allowance for loan losses** - The Commission establishes the rules for rating the loan portfolio. The provision corresponding to credit risk is estimated on a monthly basis according to quantitative and qualitative factors, included the classification methodology established by the Commission, which considers an analysis of the portfolio with problems according to its current risk. Considering foreseeable future risks, there is a practice to create additional reserves on a global basis, to cover possible contingencies.

Through provisions, the Commission sets forth the rating methodologies of loan portfolios based on the type of loans comprising them, which allow for:

- Evaluating each borrower, in the case of the consumer lending portfolio, taking into account various quantitative elements related to the risk of borrower nonperformance and simultaneously obtaining a rating for each loan considering, if applicable, the value of the guarantees associated with such loans, in order to estimate a probable loss on each loan;

- Stratifying the portfolio in accordance with delinquency in payments including, in the case of the mortgage housing lending portfolio, the likelihood of nonperformance and the value of the guarantee of the loan, so that the amount of necessary preventive reserves can be determined in each stratum of the portfolio based thereon;
- Analyzing the creditworthiness of its debtors, in the case of the commercial lending portfolio, and estimating possible losses so that the amount of necessary preventive reserves can be determined based thereon;
- Using internal methodologies, in accordance with the aforementioned provisions, drawn up by credit institutions themselves when they certify that they have met the requirements for the purpose determined by the Commission.

In accordance with these regulations, the provisions for credit risk applicable to the mortgage housing and consumer lending portfolio are estimated monthly, based on balances at the last day of the month.

In addition, the balances relative to the quarters ending on March, June, September and December are used for rating the commercial portfolio. The pertinent preventive reserves are recorded at each quarter-end, considering the balance of the debt recorded in the accounting at each quarter-end and the balance of the debt recorded on the last day of the foregoing months. To make the accounting record in the two months following the close of each quarter, the respective classification is applied to the balance of the credit in question that was used at the close of the immediately previous quarter, recorded on the final day of the aforementioned months; when there is an intermittent classification after the close of the quarter, this classification may be applied to the balance of the debt recorded on the final day of the two months in question.

- l. **Other receivables** - The amounts relative to the Institution's sundry debtors are provisioned with a charge to results of the year regardless of the probability of recovery, within the 90 or 60 days following their initial recording, depending on whether the balances are identified or not, respectively.
- m. **Property, furniture and equipment** - Property, the cost of installation and upgrades are originally recorded at acquisition cost. Until 2007, buildings were updated using a factor derived from the value of the investment unit ("UDI"), whereas furniture and fixtures were noted at their cost of acquisition. Depreciation and relative amortization are calculated based on the acquisition cost or the updated cost through this date, a percentage determined based on the estimated economic life.
- n. **Foreclosed and repossessed property and property received as payment in kind** - Foreclosed and repossessed property is stated at the lower of either the awarded cost or the net realizable value.

The assets acquired are valued according to accounting standards for credit institutions, according to the type of property involved, recording the valuation results for the year against other income (expense) of the transaction.

The amount of any estimate that recognizes the potential losses in value over time of the foreclosed assets must be determined on the foreclosure value using the procedures established in the general provisions applicable to the classification methodology of the loan portfolio of credit institutions, and be recognized in results of the year as other revenues (expenses) from the operation.

If in accordance with the aforementioned provisions the estimate referred to in the preceding paragraph is modified, such adjustment must be recorded against the amount of the estimate previously recorded and other revenues (expenses) from the operation.

When the foreclosed assets are sold, the difference between the selling price and the book value of the foreclosed asset, net of estimates, must be recognized in results of the year as other revenues (expenses) from the operation.

- o. **Income taxes** - Income tax (ISR) and the Business Flat Tax (IETU) are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial and fiscal projections, the Institution determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.
- p. **Other investments** - Those permanent investments made in trusts and in shares of companies in which there is no control, combined control or significant influence are initially recorded at acquisition cost. They are valued using the equity method considering the financial information related to such entity; when it is practically impossible to obtain financial information on the entities, the investment is adjusted to zero value or acquisition cost. The adjustment procedure is selected based on the prudential treatment of applying specific rules contained in NIFs.
- q. **Funding** - The liabilities for funding through certificates of deposit, term deposits, bankers' acceptances, promissory notes with interest payable at maturity, loans from local and foreign banks and bank bonds, are recorded based on the contractual value of the obligation. Any accrued interest is charged to the consolidated statements of income and credited to liability accounts.
- r. **Interbank loans and those from other entities** - Liabilities from interbank loans are recorded based on the contractual value of the obligation. Accrued interest is recognized directly in income of the Institution.
- s. **Direct employee benefits** - These are valued in proportion to the services rendered, considering the current wages and the liability is recognized as they are accrued. This item includes mainly PTU payable, remunerated absences, such as vacations and vacation premium, and incentives.
- t. **Labor obligations** - Payments to employees and workers, who no longer render their services, as provided for in the federal labor law and the labor conditions in effect, employees and workers that stopped providing services are recorded as follows:

Severance payments -

Severance payments, which are made to personnel who retire under certain circumstances, are recorded as they are accrued, calculated by independent actuaries based on the projected unit credit method using normal interest rates.

Seniority premiums -

Seniority premiums are payable to employees that have completed fifteen or more years of service of personnel. Toward that end, there is a provision that covers the actuarial present value of benefit obligation which is calculated by independent actuaries based on projected unit credit method using nominal interest rates.

In accordance with the Federal Labor Law, the Institution has a liability for indemnifying employees who are dismissed under certain circumstances and an obligation to pay a seniority bonus when they retire, provided that they (i) have completed fifteen years or more of service, (ii) are dismissed without a justifiable reason or (iii) pass away.

In accordance with the indicated in Articles transients CGT 2006 Review, workers who reach 65 years of age and complete 30 years of service will be eligible for a retirement annuity. Moreover, upon reaching 65 years of age with 5 years of seniority, workers will be eligible to receive a pension whose amount will be equal to the proportion of the net monthly salary or wage during the last year of service, derived from multiplying the number of years of services rendered by the 0.0385 factor. The Institution reserves the right to pay a pension to that worker who has reached 60 years of age or completed 26 years of service.

Furthermore, the Transitory Provisions of the CGT of August 12, 1994 establish that workers who entered the Institution before the aforementioned date and who complete 55 years of age and 30 years of service, 60 years of age and 26 years of service, or 60 years of age and five years of seniority, will be entitled to receive a retirement pension under the terms of the aforementioned CGT.

In the event of an unjustified dismissal or termination of the employer-employee relationship, the worker may choose to receive the pertinent indemnification or a retirement annuity calculated based on the main characteristics of the retirement plan discussed above if the worker is 50 years old and has 16 or more years of seniority.

- u. **Provisions** - Provisions are recognized when there is a present obligation derived from a past event, which will probably result in the use of economic resources, and can be reasonably estimated.
- v. **Employee statutory profit-sharing (PTU)** - PTU is recorded in results of the year in which it is incurred and is presented under the heading of administrative and promotion expenses in the accompanying consolidated statements of income. Deferred PTU is determined for the temporary differences resulting from comparing the book and tax values of assets and liabilities and is recognized only when a liability will probably be settled or a profit generated, and there is no indication that the situation will change in such a way that the liability or profit will not be realized.

PTU is determined based on the taxable profit as established in article 10, section I of the Income Tax Law. For the years ended 2012 and 2011, PTU was \$164 and \$142, respectively.

- w. **Recognition of interest income** - Interest generated by outstanding credit operations is recognized and recorded in the consolidated statements of income based on the accrued amount. Interest on the past-due portfolio is recorded in the consolidated statements of income at the time of collection. The proceeds from interest on investments in securities are recorded in the consolidated statement soft income based on the accrued amount.

Interest on liability operations is recognized in the consolidated statements of income as accrued, regardless of its payment date.

For presentation purposes in the consolidated statements of income, the commissions, premiums and exchange operations are included in the interest income caption.

The commissions collected to initially grant loans are recorded as a deferred credit, which is applied in the same way as interest income by the straight line method during the loan period.

- x. **Brokerage commissions** - Given the intermediary function performed by the Institution as liaison between the lender of financing and the borrower, the Institution obtains a commission for arranging the credits in the markets. Such commission is recorded in the statement of operations when it is generated under the heading of "Commission and fee income".
- y. **Intermediation results** - Intermediation results are derived from security and derivative transactions, valuations of investments in security and derivative financial instruments at fair value, and recognition of the increase or decrease in the value of security investments.
- z. **Trusts** - The operations in which the Institution acts as Trustee are recorded and controlled in memorandum accounts. According to the ISR law, as Trustee, the Institution is responsible for the compliance of tax obligations derived from the trusts performing business activities up to the amount of the equity in trust.

- aa. **Foreign operations** - Monetary and nonmonetary assets and liabilities, as well as the statements of income for foreign subsidiaries, are translated at the closing exchange rate at the valuation date. The pertinent financial statements were not restated since the Institution operated in a non-inflationary environment during 2012 and 2011.
- bb. **Settlement accounts** - For purposes of their presentation in the financial information, the Institution offsets asset and liability positions when they are similar in terms of type, counterparty, class, deadline and terms, and they are recognized as an asset if a debit balance is generated or as a liability if it is a credit balance.
- cc. **Impairment of long-lived assets in use** - The Institution reviews the book value of long-lived assets in use, in the presence of any indicator of impairment whereby the book value might not be recoverable, considering the greater of the present value of future net cash flows and the net selling price, in the event of their eventual disposal. Impairment is recorded if the book value exceeds the greater of the above-mentioned values.

At December 31, 2012, the Institution's assets do not present any indicators of impairment.

4. Foreign currency position

As of December 31, 2012 and 2011, the foreign currency position into Mexican pesos, includes in 2011 controlled assets in memorandum accounts for \$3,766, and are comprised as follows:

	2012	2011
Assets	\$ 26,737	\$ 25,556
Liabilities	<u>26,715</u>	<u>25,552</u>
Net long position	<u>\$ 22</u>	<u>\$ 4</u>

Assets and liabilities in foreign currencies valued in domestic currency are documented as follows:

	Assets	Liabilities	Net 2012	Net 2011
U.S. dollars	\$ 26,214	\$ 26,240	\$ (26)	\$ (43)
Japanese yen	2	-	2	2
Euros	413	411	2	-
Sterling pounds	49	5	44	45
Special revolving rights	<u>59</u>	<u>59</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,737</u>	<u>\$ 26,715</u>	<u>\$ 22</u>	<u>\$ 4</u>

As of December 31, 2012 and 2011, the value of the U.S dollar were \$12.9658 and \$13.9476 Mexican peso relative to the value of the U.S dollar, according to the Exchange rate determined by BANXICO, respectively. Other foreign currencies are valued considering the exchange rate relative to the U.S dollar.

5. Cash and cash equivalents

As of December 31, 2012 and 2011, cash and cash equivalents consist of the following:

	2012	2011
Deposits in BANXICO	\$ 11,748	\$ 11,746
Deposits in domestic and foreign banks	1,865	4,714
Call money deposits	5,817	1,273
Other liquid assets	5	4
Cash and cash equivalents in subsidiaries	<u>-</u>	<u>6</u>
	<u>\$ 19,435</u>	<u>\$ 17,743</u>

Deposits in BANXICO apply to monetary regulation deposits, in conformity with the telefax 1/2007 issued by BANXICO on January 27, 2007.

As of December 31, 2012 and 2011, deposits in domestic and foreign banks included \$1,141 and \$5,366, respectively, by concept of currency spot sales.

At December 31, 2012, the Institution maintains call money deposits for a maximum term of three banking days, amounting \$5,817 of which were \$1,193 contracted at an average rate of 4.43% in Mexican pesos, and \$4,624 at an average rate of 0.33% in foreign currency.

At December 31, 2011, the Institution maintained call money deposits for a maximum term of three banking days, amounting \$1,273 of which were \$1,237 contracted at an average rate of 4.5% in Mexican pesos, and \$36 at an average rate of 0.1% in foreign currency.

Cash and cash equivalents in foreign currencies as of December 31, 2012 and 2011, are summarized as shown below:

	2012		
	Amount	Exchange rate	Equivalent in national currency
Euros	3	\$ 17.138190	\$ 54
U.S. dollars	493	12.965800	6,390
Sterling pounds	2	21.068130	42
Japanese yen	10	0.150120	<u>1</u>
			<u>\$ 6,487</u>
	2011		
	Amount	Exchange rate	Equivalent in national currency
Euros	2	\$ 18.103990	\$ 42
U.S. dollars	334	13.947600	4,662
Sterling pounds	2	21.675970	43
Japanese yen	5	0.180760	<u>1</u>
			<u>\$ 4,748</u>

The concept of other liquid assets as of December 31, 2012 and 2011 includes gold coins amounting to a value of \$4, which are stated at market value.

6. **Investments in securities**

As of December 31, 2012 and 2011, investments in securities consist of the following:

Trading securities:

Instrument	2012			2011	
	Acquisition cost	Accrued interest	Valuation	Book value	Book value
Development Fund Shares for the securities Market (FDMV)	\$ 96	\$ -	\$ 33	\$ 129	\$ 252
Bondes	5,372	7	16	5,395	5,022
Stock certificates	3,121	9	11	3,141	3,564
Cetes	5	-	-	5	-
Ipaponds	1,143	24	4	1,171	2,349
<i>Sale of securities with value date</i>					
Ipaponds	-	-	-	-	(299)
Udibonds	-	-	-	-	(202)
<i>Restricted financial instruments:</i>					
Bondes	\$ 74,030	\$ 44	\$ 69	\$ 74,143	\$ 66,676
Stock certificates	1,113	-	-	1,113	15
Ipaponds	105,874	271	2	106,147	102,284
Promissories with liquid at yield maturity	-	-	-	-	1,612
<i>Financial instruments in guarantee:</i>					
Ipaponds	636	-	-	636	479
Investment in subsidiary	5	-	-	5	14
	<u>\$ 191,395</u>	<u>\$ 355</u>	<u>\$ 135</u>	<u>\$ 191,885</u>	<u>\$ 181,766</u>

The terms in which these investments are agreed as of December 31, 2012, at acquisition cost, are as follows:

Instrument	Less than 1 month	Between one and three months	Over 3 months	No maturity	Total
Development Fund Shares for the securities Market (FDMV)	\$ -	\$ -	\$ -	\$ 96	\$ 96
Bondes	-	-	5,372	-	5,372
Stock certificates	-	-	3,121	-	3,121
Cetes	2	3	-	-	5
Ipaponds	-	-	1,143	-	1,143
<i>Restricted financial instruments:</i>					
Bondes	74,030	-	-	-	74,030
Stock certificates	1,113	-	-	-	1,113
Ipaponds	105,874	-	-	-	105,874
<i>Financial instruments held as collateral:</i>					
Ipaponds	-	-	636	-	636
Investments from subsidiaries	-	-	5	-	5
	<u>\$ 181,019</u>	<u>\$ 3</u>	<u>\$ 10,277</u>	<u>\$ 96</u>	<u>\$ 191,395</u>

Available for sale securities:

Instrument	2012			2011	
	Acquisition cost	Accrued interest	Valuation	Book value	Book value
Sovereign debt	\$ 601	\$ 12	\$ 57	\$ 670	\$ 695
Obligations and other titles	<u>1,440</u>	<u>22</u>	<u>125</u>	<u>1,587</u>	<u>1,533</u>
	<u>\$ 2,041</u>	<u>\$ 34</u>	<u>\$ 182</u>	<u>\$ 2,257</u>	<u>\$ 2,228</u>

The periods to which these investments are agreed to December 31, 2012, at cost of acquisition, are as follows:

Instruments	Over 1 year
Sovereign debt	\$ 601
Obligations and other titles	<u>1,440</u>
	<u>\$ 2,041</u>

Held to maturity securities:

Medium and long-term securities -

Instruments	2012			2011
	Acquisition cost	Accrued interest	Book value	Book value
Prides convertible bonds	\$ 3	\$ -	\$ 3	\$ 4
Stock certificates	782	39	821	1,157
Segregable stock certificates	2,786	461	3,247	2,544
Deposit certificates	-	-	-	1,814
Sovereign debt	616	16	632	757
Udibonds	284	42	326	316
<i>Restricted financial instruments:</i>				
Segregable stock certificates	<u>6,166</u>	<u>1,019</u>	<u>7,185</u>	<u>7,662</u>
Total	<u>\$ 10,637</u>	<u>\$ 1,577</u>	<u>\$ 12,214</u>	<u>\$ 14,254</u>

The terms in which these investments are agreed as of December 31, 2012, at acquisition cost, are as follows:

Instrument	Less than a year	More than a year	No Fixed Term	Total
Prides convertible bonds	\$ -	\$ -	\$ 3	\$ 3
Stock certificates	-	782	-	782
Segregable stock certificates	-	2,786	-	2,786
Sovereign debt	-	616	-	616
Udibonds	-	284	-	284
<i>Restricted financial instruments:</i>				
Segregable stock certificates	<u>6,166</u>	<u>-</u>	<u>-</u>	<u>6,166</u>
Total	<u>\$ 6,166</u>	<u>\$ 4,468</u>	<u>\$ 3</u>	<u>\$ 10,637</u>

As of December 31, 2012, interest income for investments in securities amounted to \$1,096, the surplus on valuation amounted to \$89 and the gain on trading securities amounted to \$491.

7. **Repurchase and resale transactions**

As of December 31, 2012 and 2011, the repurchase and resale transactions reported by the Institution are detailed as follows:

Instrument	2012			2011		
	Received as collateral.	Collateral received and sold or pledged	Instrument	Received as collateral.	Collateral received and sold or pledged	Instrument
<i>Government securities</i>						
Cetes	\$ -	\$ -	\$ -	\$ 5,197	\$ 5,193	\$ 4
Stock certificates	3,129	3,129	-	1,650	1,531	.119
Bondes	35,611	35,611	-	24,137	24,137	-
Fixed rate bonds	8,981	8,981	-	11,940	11,940	-
Ipabonds	26,891	26,891	-	28,465	28,465	-
	<u>74,612</u>	<u>74,612</u>	<u>-</u>	<u>71,389</u>	<u>71,266</u>	<u>123</u>
<i>Debentures and other securities</i>						
Stock certificates	198	198	-	701	701	-
	<u>198</u>	<u>198</u>	<u>-</u>	<u>701</u>	<u>701</u>	<u>-</u>
	<u>\$ 74,810</u>	<u>\$ 74,810</u>	<u>\$ -</u>	<u>\$ 72,090</u>	<u>\$ 71,967</u>	<u>\$ 123</u>

Instrument	2012	2011
	Creditors from repurchase agreements	Creditors from repurchase agreements
<i>Government securities:</i>		
Bondes	\$ 74,074	\$ 66,702
Segregable stock certificates	7,956	7,811
Ipabonds	106,147	102,255
Total	<u>188,177</u>	<u>176,768</u>
<i>Banking securities:</i>		
Stock certificates	1,113	15
Promissories with liquid yield at maturity	-	1,613
	<u>1,113</u>	<u>1,628</u>
	<u>\$ 189,290</u>	<u>\$ 178,396</u>

As of December 31, 2012, the result of the interest income and expense was \$13,540 and \$12,001, respectively, in accordance with the Commission, and was recorded in the consolidated statements of income.

Most of the repurchase and resale transactions are agreed to within 1 to 180 days.

8. **Derivatives**

As of December 31, 2012 and 2011, the Institution holding the derivative transactions as described below:

For trading purposes:

	2012			
	Asset balance	Liability balance	Debit balance	Credit balance
Short-term futures	\$ 4,409	\$ 4,365	\$ 44	\$ -
Valuation of futures	(1)	(11)	10	-
	<u>4,408</u>	<u>4,354</u>	<u>54</u>	<u>-</u>
Swaps	6,225	6,284	-	59
Total	<u>\$ 10,633</u>	<u>\$ 10,638</u>	<u>\$ 54</u>	<u>\$ 59</u>

For hedging purposes:

Swaps	\$ <u>2,753</u>	\$ <u>2,370</u>	\$ <u>383</u>	\$ <u>-</u>
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For trading purposes:

		2011			
		Asset balance	Liability balance	Debit balance	Credit balance
Short-term futures		\$ 3,712	\$ 3,712	\$ -	\$ -
Valuation of futures		<u>52</u>	<u>(7)</u>	<u>59</u>	<u>-</u>
		<u>3,764</u>	<u>3,705</u>	<u>59</u>	<u>-</u>
Swaps		<u>5,094</u>	<u>5,117</u>	<u>-</u>	<u>23</u>
	Total	<u>\$ 8,858</u>	<u>\$ 8,822</u>	<u>\$ 59</u>	<u>\$ 23</u>

For hedging purposes:

Swaps	\$ <u>2,650</u>	\$ <u>2,324</u>	\$ <u>326</u>	\$ <u>-</u>
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Futures and forwards:

For trading purposes:

		2012				
Operation	Underlying	Sale		Purchase		Book balance
		Contract value	Receivable	Contract value	Payable	
Forwards contracts	U.S. Dollars	\$ <u>4,365</u>	\$ <u>4,354</u>	\$ <u>4,409</u>	\$ <u>4,408</u>	\$ <u>54</u>
	Total	<u>\$ 4,365</u>	<u>\$ 4,354</u>	<u>\$ 4,409</u>	<u>\$ 4,408</u>	<u>\$ 54</u>

		2011				
Operation	Underlying	Sale		Purchase		Receivable
		Contract value	Receivable	Contract value	Contract value	
Forwards contracts	U.S. Dollars	\$ <u>3,712</u>	\$ <u>3,764</u>	\$ <u>3,712</u>	\$ <u>3,705</u>	\$ <u>59</u>

The Institution participates in the Derivatives Mexican Market (MEXDER), through the purchase-sale of interest rate and currency futures, according to an authorization granted by BANXICO.

In the case of U.S dollar-Mexican peso forwards, over-the counter operations or in other markets different than recognized markets, the master agreement for such operation does not stipulate the maintenance of guarantees. In any case, penalties are applied to the defaulting counterparty, over the amounts in Mexican pesos or U.S dollars depending on the position of the operation. In addition, the mentioned agreement stipulates the applicable law and jurisdiction which should be involved to solve any discrepancies in the flows of currencies, if necessary.

Swaps:*For trading purposes:*

		2012			
Underlying	Contract value pesos	Receivable	Payable	Net position	
Interest rate	\$ 12,600	\$ 4,211	\$ 4,229	\$ (18)	
Foreign currency	<u>1,998</u>	<u>2,014</u>	<u>2,055</u>	<u>(41)</u>	
	<u>\$ 14,598</u>	<u>\$ 6,225</u>	<u>\$ 6,284</u>	<u>\$ (59)</u>	

		2011			
Underlying	Contract value pesos	Receivable	Payable	Net position	
Interest rate	\$ 13,600	\$ 5,094	\$ 5,117	\$ (23)	

For hedging purposes:

		2012			
Underlying	Contract value pesos	Receivable	Payable	Net position	
Interest rate	\$ 11,861	\$ 2,753	\$ 2,370	\$ 383	

		2011			
Underlying	Contract value pesos	Receivable	Payable	Net position	
Interest rate	\$ 14,921	\$ 2,650	\$ 2,324	\$ 326	

Options:*For hedging purposes:*

		2012			
Underlying	Contract value Pesos	Receivable	Payable	Net position	
Interest rate	\$ 2	\$ -	\$ -	\$ -	

		2011			
Underlying	Contract value Pesos	Receivable	Payable	Net position	
Interest rate	\$ 5	\$ -	\$ -	\$ -	

The Exchange and interest rate future and forward transactions executed by the Institution headquarters in Mexico City, are for handling its own positions in order to obtain profits, as well as to provide liquidity to the MEXDER by carrying out constant operations in it.

In the case of U.S dollar-peso forward contracts executed for intermediation purposes, the fair value represents the amount that both parties agree to exchange, considering that both maintain common sources of information on the principal financial indicators that affect the prices for these types of derivatives.

The difference between the fair value in the contract and the forward price stipulated, multiplied by the amount of the underlying instrument and discount at the respective date, and represents the unrealized gain or loss according to the financial conditions at the time of execution of such transaction. The fair value is determined by the prevailing banking interest rate used for interbank transactions that are carried out in Mexico and applied by the price vendor, as well as rates that are used in the United States.

The Institution performs various analytics on the underlying markets of derivative instruments negotiated, in order to determine and outline implied risks for the Institution, through the risk committee known as *Comite de Administracion Integral de Riesgos* (CAIR, or Risk Administration Committee).

The benefit costs, and valuations of futures transactions and forward contracts are recognized in the foreign exchange accounts and gains or losses in market value, and are presented in the intermediation result caption in the statements of income.

Future trading and forward contracts involve recovery risks in case of contractual fluctuations. In order to reduce risks when trading these instruments, the Institution maintains offset positions.

As of December 31, 2012 and 2011, the efficiencies/inefficiencies recorded as a result of Criteria B-5 "Derivatives and hedge transactions" of the Commission, are as follows:

Swaps designated as fair value hedges (application to income):

Underlying item	2012	2011
	Amount valuation	Amount valuation
Bankers' acceptances	\$ (12)	\$ (4)
Stock certificates	(9)	35
Notes with interest payable at maturity	5	-
Deposit certificates	<u>10</u>	<u>7</u>
	<u>\$ (6)</u>	<u>\$ 38</u>

As of December 31, 2012 and 2011, the institution has contracted swaps Fair value hedges.

Trading Swaps (application to income):

	2012	2011
Interest rate	<u>\$ (108)</u>	<u>\$ (22)</u>

The adjustments to book value for interest rate risk hedge financial derivatives transactions with financial assets and liabilities, due to the application of the Criteria B-5 "Derivatives and hedge transactions", issued by the Commission, as of December 31, 2012 and 2011, are detailed below:

Concept	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Bank acceptances	\$ -	\$ 129	\$ -	\$ 183
Stock certificates	-	(9)	132	(9)
Credit	<u>73</u>	<u>-</u>	<u>111</u>	<u>-</u>
Total	<u>\$ 73</u>	<u>\$ 120</u>	<u>\$ 243</u>	<u>\$ 174</u>

Administration of policies for using financial derivatives

The policies of the Institution allow for the use of derivatives for hedging and/or trading purposes. The principal objectives in operating these products are to hedge risks and generate revenues that enhance the Institution's profitability.

The objectives and policies related to the operation of these instruments are contained in the Risk management regulatory and operational manuals.

The instruments that the Institution uses are rate and foreign exchange swaps, IPC and TIE futures, rate options and exchange-rate forwards which, depending on the portfolios, may support hedging or trading strategies.

The markets in which derivatives are traded are money markets, foreign exchange markets and equity markets, and the eligible counterparties are Mexican and foreign bank.

Authorization processes and levels

Control processes, policies and authorization levels for the derivatives operation are established within the Comprehensive Risk Management Committee, whose functions include the approval of:

- a. The specific limits for discretionary risks, when it has powers delegated from the Board of Directors to do so, as well as tolerance levels in relation to nondiscretionary risks.
- b. The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different types of risk to which the Institution is exposed, as well as their eventual modifications.
- c. The models, parameters and scenarios which must be used to carry out the evaluation, measurement and control of risks proposed by the Comprehensive Risk Management Unit, which must be in conformity with the technology used by the Institution.
- d. The methodologies for the identification, valuation, measurement and control of the risks of the new operations, products and services which the Institution intends to offer in the market.
- e. The corrective measures proposed by the Comprehensive Risk Management Unit
- f. The assessment of the aspects of Comprehensive Risk Management referred to in article 77 of the Provisions for its presentation to the Board of Directors and the Commission.
- g. The Comprehensive Risk Management Manuals, based on the objectives, guidelines and policies established by the Board of Directors, as referred to in article 15, final paragraph of the Prudential provisions for comprehensive risk Management applicable to credit institutions

All the new products or services operated under a business line are approved by a Committee in accordance with the powers granted by the Board of Directors.

Independent reviews

The Institution is under the supervision and oversight of the Commission and BANXICO, which control is exercised through follow-up processes, inspection visits, information requests and documentation and delivery of reports. Furthermore, periodic reviews are performed by the Internal and External Auditors.

Generic description of valuation techniques

Financial derivatives are valued at fair value, in accordance with the accounting regulations established in the Provisions issued by the Commission and the terms of the specific standards contained in Criteria B-5.

Valuation methodology

1. Trading purposes- There is a structure of operational and regulatory manuals which establish the valuation methodologies used.
2. Hedging purposes- There is a structure of operational and regulatory manuals which establish the valuation methodologies used.
3. Reference variables- Those parameters used by agreement as part of market practices are applied (i.e., rates, exchange rates, prices, etc.)
4. Valuation frequency- The valuation of position instruments is made on a daily basis.

Management of internal and external liquidity sources which might be used to handle requirements related to financial derivatives.

The resources are obtained through the National Treasury and the International Treasury (London).

Changes in exposure to identified risks, contingencies and known or expected events in financial derivatives.

Periodic stress tests and back testing are performed to estimate the impact on the derivatives positions and statistically validate that the market risk measurement models provide results in accordance with their exposure to market variability, which must be within the parameters authorized by the Comprehensive Risk Management Committee.

The methodology currently used to prepare the stress measurement report consists of calculating the value of the current portfolio, with the capacity to apply the changes in the risk factors that occurred in:

- Tequila Effect (1994)
- Russian Crisis (1998)
- Twin Towers (2001)
- BMV Effect (2002)
- Effect on real rates (2004)
- Effect on mortgage Crisis (2008)

The back testing is based on the daily generation of the following information:

1. The valuation of the investment portfolio on day t
2. The VaR (Value at Risk) of the investment portfolio with a one-day time horizon and a confidence level of 97.5% (VaR).
3. The valuation of the portfolio with the new risk factors of day t+1.

During 2012, the number of closed financial derivatives that agreed and matured, was as follows (unaudited):

Instrument	Operations N°		Nocional	
	Negotiation	Coverage	Negotiation	Coverage
Future IPC ^{1/}	285	-	733	-
Forwards (Arbitration) ^{2/}	90	-	3,215,000	-
Swaps ^{3/}	-	5		938,267

1/ Nocional refers to number of contracts: 449 to buy and 284 to sell.

2/ Purchase Operations. Nocional in USD.

3/ Notional amount operated during the month

Formal documentation of the hedges

To comply with applicable regulations in derivatives and hedge operations (Bulletin B-5 issued by the Commission), the Institution has a hedging file, which includes the following information:

1. File cover page.
2. Hedge authorization.
3. Strategy diagram
4. Evidence of prospective tests of hedge effectiveness.
5. Evidence of execution of the derivative.
6. Detail of the primary position covered by a hedge.
7. Confirmation of the derivative.

Sensitivity analysis

A sensitivity analysis is performed daily through different measurements, such as:

- **Duration**- There are mainly two types of duration with different meanings:
 1. **Macaulay Duration**: This is the weighted average maturity of the current values of each flow, where the weighting coefficients are the time in years up to the payment of the respective flow.
 2. **Modified Duration**: This is the percentage variation of the bond price due to small variations in the market interest rate.
- **Convexity**- This is the variation in the slope of a curve in relation to a dependent variable or, that is the same thing, the change in duration due to changes in rates.
- **Greek**- (sensitivity measures for options, except interest rate options):
 1. **Delta**: Sensitivity of the price of the options to the price of the underlying of the option.
 2. **Theta**: Sensitivity of the price of the options to the time variable.
 3. **Gamma**: Sensitivity of the second degree of the price of the option to the underlying of the option.
 4. **Vega**: Sensitivity of the price of the option to the volatility used for its valuation.
 5. **Rho**: Sensitivity of the price of the option to changes in the interest rate.
- **Beta**- This is the measurement of the systematic risk of an action.

This analysis reflects the instances which define the operating strategy of derivatives in financial markets and their traders, in order to regulate their treatment in risk-taking with these instruments.

9. Loan portfolio, net

As of December 31, 2012 and 2011, the loan portfolio consists of the following:

	2012	2011
Current loan portfolio:		
Commercial	\$ 17,105	\$ 15,806
Financial entities	84,606	83,779
Consumer	2	1
Mortgage loans	159	173
Government entities	9,004	10,364
Federal government's financial agent	<u>4,320</u>	<u>7,097</u>
	<u>\$ 115,196</u>	<u>\$ 117,220</u>
Past due loan portfolio:		
Commercial	\$ 18	\$ 35
Financial entities	108	158
Consumer	3	4
Mortgage loans	<u>20</u>	<u>19</u>
	<u>149</u>	<u>216</u>
Loan portfolio	<u>\$ 115,345</u>	<u>\$ 117,436</u>

The loan portfolio by currency of origin as of December 31, 2012 is comprised as follows:

	Current	Past due
Currency	\$ 103,840	\$ 149
Foreign currency	<u>11,356</u>	<u>-</u>
	<u>\$ 115,196</u>	<u>\$ 149</u>

The loan portfolio by currency of origin as of December 31, 2011 is comprised as follows:

	Current	Past due
Currency	\$ 103,882	\$ 216
Foreign currency	<u>13,338</u>	<u>-</u>
	<u>\$ 117,220</u>	<u>\$ 216</u>

The credits granted as Financial Broker corresponds to financing granted to entities of the federal government with funds obtained from international organizations for that specific purpose, and are included in the loans to government entities.

The credits to financial entities are granted to banking and nonbanking institutions, through the discounting of documents payable by corporations and individuals engaged in business activities.

As of December 31, 2012, the balance of the past-due portfolio for a total of \$149, from the date it was classified as past-due, is comprised as follows:

	Principal and interest	Amount	Term
Commercial	\$ 18	\$ 18	Over to 2 years
Financial entities	108	108	Over to 2 years
Consumer	3	3	Over to 2 years
Mortgage loans	20	3	1 to 180 days
Mortgage loans	-	1	181 to 365 days
Mortgage loans	<u>-</u>	<u>16</u>	Over to 2 years
	<u>\$ 149</u>	<u>\$ 149</u>	

Interest and commissions of the loan portfolio As of December 31, 2012 and 2011, are comprised as follows:

	2012		
	Interest	Commissions	Total
Commercial	\$ 1,351	\$ 43	\$ 1,394
Government entities	518	1	519
Federal government's financial agent	182	6	188
Financial entities	4,660	51	4,711
Consumer	1	-	1
Mortgage loans	<u>6</u>	<u>-</u>	<u>6</u>
	<u>\$ 6,718</u>	<u>\$ 101</u>	<u>\$ 6,819</u>

	2011		
	Interest	Commissions	Total
Commercial	\$ 1,049	\$ 19	\$ 1,068
Government entities	637	1	638
Federal government's financial agent	350	11	361
Financial entities	4,573	36	4,609
Mortgage loans	5	-	5
	<u>\$ 6,614</u>	<u>\$ 67</u>	<u>\$ 6,681</u>

The effect due to the suspension of the accrued interest in the past due portfolio, resulted in a decrease of \$4 in comparison to 2011.

As of December 31, 2012 and 2011, the balance of restructured credits is comprised of the following:

	2012		
	Current	Past due	Total
Commercial	\$ 52	\$ 1	\$ 53
Financial entities	609	58	667
Mortgage loans	5	1	6
	<u>\$ 666</u>	<u>\$ 60</u>	<u>\$ 726</u>

	2011		
	Current	Past due	Total
Commercial	\$ 1	\$ -	\$ 1
Financial entities	989	58	1,047
Mortgage loans	4	3	7
	<u>\$ 994</u>	<u>\$ 61</u>	<u>\$ 1,055</u>

As of December 31, 2012 and 2011, the percent concentration of the portfolio by sector is as follows:

	2012 %	2011 %
Federal government	1.97	4.94
IPAB	0.85	1.19
Other private financial brokers	35.54	35.82
Development banking	0.08	0.08
Multiple banking	37.40	35.57
Decentralized public agencies and private companies	8.89	8.74
Domestic companies	14.84	13.48
Private parties	0.43	0.18
	<u>100.00</u>	<u>100.00</u>

In conformity with Criteria B-6, of the Provisions, all commercial credits which are understood as impaired portfolio, are those which, based on current information and events, as well as the review process of such credits, there is a considerable likelihood that both, the principal and interest, may not be entirely recovered as set forth in the agreement. Both the current portfolio and nonperforming portfolio may be identified as impaired portfolio.

As of December 31, 2012 and 2011, the percent concentration of the portfolio by sector is as follows:

	2012			
	Degree of risk		Total	Reserve created
	D	E		
Current	\$ -	\$ 83	\$ 83	\$ 83
Past-due	-	124	124	124
	<u>\$ -</u>	<u>\$ 207</u>	<u>\$ 207</u>	<u>\$ 207</u>
	2011			
	Degree of risk		Total	Reserve D
	D	E		
Current	\$ -	\$ 100	\$ 100	\$ 98
Past-due	3	193	196	193
	<u>\$ 3</u>	<u>\$ 293</u>	<u>\$ 296</u>	<u>\$ 291</u>

10. Allowance for loan losses

According to the Loan portfolio Rating Rules applicable to Development Banking Institutions, the loan portfolio due from the Federal Government and the portfolio of wholesale lending operations through development banking institutions, are not subject to the creation of preventive provisions since these entities assume the credit risk. The balances of the loan portfolio and that of contingent operations subject to classification, which are controlled in memorandum orders and are evaluated based on the methodologies established by the Commission. The allowance for loan losses recorded as of December 31, 2012 and 2011, is as follows:

As of December 31, 2012:

Degree of risk	Amount of liabilities	Estimate of the provision	
		% reserve	Amount
A	\$ 134,066	0.00 - 0.99	\$ 700
B	17,950	1.00 - 19.99	1,309
C	3	20.00 - 59.99	2
D	1	60.00 - 89.99	-
E	<u>220</u>	90.00 - 100.00	<u>220</u>
Portfolio qualifying	<u>152,240</u>		<u>2,231</u>
Less: Counter-guarantees received in cash	<u>-</u>		<u>1</u>
	152,240		2,230
Portfolio excluding:			
Federal government	4,524		-
Additional reserve	-		84
Subsidiaries	<u>-</u>		<u>202</u>
	<u>\$ 156,764</u>		<u>\$ 2,516</u>

Of the rated portfolio, was reduced \$1 from the commercial portfolio rated with E risk, for which the pertinent reserve was not created since the Institution has collateral received in cash. The foregoing is presented as a loan portfolio in the respective risk weight in the accounting records.

As of December 31, 2011:

Degree of risk	Amount of liabilities	Estimate of the provision	
		% reserve	Amount
A	\$ 123,074	0.00 - 0.99	\$ 688
B	18,175	1.00 - 19.99	1,166
C	14	20.00 - 59.99	5
D	1	60.00 - 89.99	1
E	307	90.00 - 100.00	307
Portfolio qualifying	<u>141,571</u>		<u>2,167</u>
Less: Counter-guarantees received in cash	<u>-</u>		<u>17</u>
	141,571		2,150
Portfolio excluding:			
Federal government	7,348		-
National Banking Institutions	-		79
Subsidiaries	<u>-</u>		<u>151</u>
	<u>\$ 148,919</u>		<u>\$ 2,380</u>

The allowance for loan losses includes \$3 and \$5 that correspond to the total amount of the past due interest as of December 31, 2012 and 2011, respectively.

The movements of the allowance for loan losses as of December 31, 2012 and 2011 are as follows:

	2012	2011
Specific estimates:		
Current loan portfolio-		
Commercial	\$ 384	\$ 327
Consumer	3	4
Mortgage loans	11	13
Financial entities	1,773	1,735
Government entities	<u>45</u>	<u>61</u>
	2,216	2,140
Contingent portfolio -		
Granted guarantees	14	10
Additional estimates	84	79
Subsidiaries	<u>202</u>	<u>151</u>
	<u>\$ 2,516</u>	<u>\$ 2,380</u>

Movements in the allowance for loan losses are as follows:

	2012	2011
Balance January 1,	\$ 2,380	\$ 2,372
Increments:		
Discounts on recovering debts	14	-
Constitution reserves for loan losses	213	150
Slippage of the foreign currency reserve	<u>-</u>	<u>2</u>
	2,607	2,524
Applications:		
Discounts in recovering debts	14	18
Cancellation of excess reserves (a)	71	126
Credits transferred to suspense accounts	1	-
Slippage of the foreign currency reserve	<u>5</u>	<u>-</u>
Balances As of December 31 2012 and 2011	<u>\$ 2,516</u>	<u>\$ 2,380</u>

- (a) This amount is recognized in the statement of operations under the heading of "Other income (expense) of the operation"

11. Other receivable accounts

As of December 31, 2012 and 2011, the other receivables, are as follows:

	2012	2011
Loans to institution personnel	\$ 2,122	\$ 2,054
Clearing accounts	33	73
Other debtors	70	207
Receivables for commissions on current trading activities	92	89
Other receivables of subsidiaries	242	91
Estimates for write-offs of other receivables	<u>(58)</u>	<u>(67)</u>
	<u>\$ 2,501</u>	<u>\$ 2,447</u>

12. Repossessed assets

As of December 31, 2012 and 2011, repossessed assets consist of the following:

	2011	2010
Real property	\$ 38	\$ 35
Securities	<u>20</u>	<u>21</u>
	58	56
Estimate for write-offs	<u>(31)</u>	<u>(31)</u>
Total	<u>\$ 27</u>	<u>\$ 25</u>

The write-offs related to foreclosed assets recorded in results as of December 31, 2012 and 2011 are \$3 and \$2, respectively.

In accordance with the Provisions, additional reserves have been recognized for holding assets foreclosed in court or out-of-court or received as payment in kind.

13. Other investments

Other permanent investments are included as follows:

	2012	2011
Other investments:		
Trust securities to middle market	\$ 2	\$ 2
Trust technical assistance programs PYME financing	10	18
Trust patronage of Mexico Design Center	17	17
Trust Eurocentro Nafin-Mexico	<u>2</u>	<u>6</u>
	<u>\$ 31</u>	<u>\$ 43</u>

14. Permanent investments

As of December 31, 2012 and 2011, investments in equity securities are summarized as follows:

	2012	2011
Corporación Andina de Fomento	\$ 1,775	\$ 537
Shares of other companies	<u>21</u>	<u>17</u>
	1,796	554
Shares of other subsidiaries companies	<u>2,879</u>	<u>2,145</u>
	<u>\$ 4,675</u>	<u>\$ 2,699</u>

15. Term deposits

As of December 31, 2012 and 2011, the maturities of these instruments are as follows:

	2012	2011
Less than one year	\$ 99,822	\$ 103,970
At five years	526	800
At ten years	153	153
At twenty years	<u>-</u>	<u>226</u>
	100,501	105,149
Unpaid accrued interest	<u>1,356</u>	<u>1,271</u>
	<u>\$ 101,857</u>	<u>\$ 106,420</u>

16. Bank bonds

The balance of this account is comprised as follows:

	Maturity	2012	2011
Stock certificates (a)	2013 and 2014	\$ 7,000	\$ 7,000
Stock certificates (b)	2022	2,000	-
Stock certificates (c)	2022	1,966	-
Unpaid accrued interest		<u>118</u>	<u>21</u>
		<u>\$ 11,084</u>	<u>\$ 7,021</u>

- (a) With regard to December 31, 2012, there are two issues, both dated December 10, 2010, one for 45 million securities and the other for 25 million securities, at face value of MX \$100.00 pesos each, maturing on December 6, 2013 and December 4, 2014, respectively, with a yield of 4.855% and 4.905%, respectively.
- (b) With regard to this issue, its starting date is August 3, 2012, with 20 million securities at face value of MX \$100.00 pesos each, maturing on July 22, 2022 and with a yield of 5.69%.
- (c) With regard to this issue, its starting date is December 10, 2012 with 20 million securities at face value of MX \$100.34 pesos each, maturing on July 22, 2022 and with a yield of 5.69%, placed below par, and with pre-payment of interest.

Returns on these instruments reference CETES discount rates, the Average Interbank Interest Rate (AIIR) and the Equilibrium Interbank Interest rate (EIRR).

17. Securities placed abroad

The current balance of placements of securities made by the Institution abroad is included in this caption and is comprised by original currency as follows:

	2012	
	Amount in foreign currency	Equivalent in Mexican pesos
U.S. dollars	<u>980</u>	<u>\$ 12,701</u>
		<u>\$ 12,701</u>

	2011	
	Amount in foreign currency	Equivalent in Mexican pesos
U.S. dollars	924	\$ 12,891
		<u>\$ 12,891</u>

As of December 31, 2012 and 2011, the maturity of securities with a term of less than a year amount to \$12,701 and \$12,891, respectively.

18. Interbank loans and other loans

Consists of loans received from foreign financial institutions, at preferential or current market rates. An analysis is as follows:

	2012	2011
Multinational and governmental agencies:		
World Bank	\$ 1,024	\$ 831
Inter-American Development Bank (BID)	6,035	9,036
Other	<u>59</u>	<u>73</u>
	7,118	9,940
Foreign bank institutions	2,809	842
Domestic bank institutions	1,555	1,368
Other loans	-	245
Unpaid accrued interest	<u>49</u>	<u>89</u>
	<u>\$ 11,531</u>	<u>\$ 12,484</u>

As of December 31, 2012 and 2011, the maturity of loans with a term of less than a year amount to \$5,282 and \$4,437, respectively.

As of December 31, 2012, Interbank loans and other loans are summarized as follows:

Currency	Financial institution	Rate	Term	Balance	
				Foreign currency	Currency
Mexican pesos	Banco Ve por Mas, S.A.	4.2	2 days		\$ 5
	Bank of Tokyo, inversiones M.N.	4.2	2 days		271
	JP Morgan, inversiones M.N.	4.3	2 days		<u>765</u>
					<u>1,041</u>
U.S. dollars	Banco Nacional de Comercio Exterior, S.N.C.	1.4844	4 years	9.6	125
	Instituto de Crédito Oficial de España	1.5	9 years	3.7	48
	Instituto de Crédito Oficial de España	1.25	9 years	4.5	58
	Instituto de Crédito Oficial de España	1.25	11 years	0.9	12
	Kreditanstalt für Wiederaufbau Frankfurt	2.73	10 years	39.0	505
	Kreditanstalt für Wiederaufbau Frankfurt	1.36	10 years	26.0	337
	Standard Chartered Bank	0.7317	30 days	20.0	259
	Standard Chartered Bank	0.753	2 month	100.0	1,297
	Banco Interamericano de Desarrollo	0.75	24 years	50.0	648
	Banco Interamericano de Desarrollo	0.99	22 years	99.0	1,284
	International Bank for Reconstruction	0.99	18 years	50.0	648
	Banco Azteca, S.A.	0.28	7 days	30.0	<u>389</u>
					<u>5,610</u>

Currency	Financial institution	Rate	Term	Balance	
				Foreign currency	Currency
Euros	Natexis Banque	2.0	10 years	0.5	8
	Natexis Banque	2.0	7 years	0.9	15
	Natexis Banque	2.0	4 years	4.0	70
	Kreditanstalt für Wiederaufbau Frankfurt	1.38	10 years	11.7	<u>200</u>
					<u>293</u>
Interest					<u>3</u>
	Total				<u>\$ 6,947</u>
<i>Financial agency</i>					
U.S.dollars	BID	2.01	3 years	75.0	973
	BID	2.0101	3 month	1.2	15
	BID	3.446	1 year	38.9	505
	BID	3.702	2 years	95.8	1,243
	BID	3.814	2 years	76.9	997
	BID	4.0986	2 month	20.0	259
	BID	4.5857	1 year	29.0	<u>376</u>
					<u>4,368</u>
Euros	BID	3.0	7 years	6.5	<u>111</u>
					<u>111</u>
Special drawing rights	FIDA	1.08	6 years	2.9	<u>59</u>
					<u>59</u>
Interest					<u>46</u>
					<u>4,584</u>
	Total				<u>\$ 11,531</u>

The account of undisposed credits obtained (Note 26) represents the credit lines granted to the Institution, not exercised at the close of the year, as detailed below:

	2012	2011
Banco de México	\$ 453	\$ 464
Kreditanstalt Für Wiederaufbau Frankfurt	552	583
BID Washington DC	13	14
NF CTF BIRF 98062 Appliances Replacement Program	908	-
Subsidiaries	-	44
	<u>\$ 1,926</u>	<u>\$ 1,105</u>

19. Other payable

This caption is comprised of the following reserves and provisions:

	2012	2011
Sundry creditors	\$ 401	\$ 389
Income taxes	534	489
Employee statutory employee profit sharing payable	164	142
Provisions for other items	69	102
Clearing accounts	348	2,612
Guarantee deposits	4	22
	<u>\$ 1,520</u>	<u>\$ 3,756</u>

20. Labor obligations

According to the General Labor Conditions (GLC), all employees that are 65 years old and have 30 years of services in the Institution are entitled to a lifetime pension upon retirement. In addition, employees who reach 65 years of age and 5 years seniority will be entitled to a pension equal to a proportion of the average net monthly salary received during the last year of services, which results from multiplying the number of years of services rendered, by 0.0385. The Institution reserves the right to pension those employees who are 60 years old or who have provided 26 years of services.

Furthermore, there are Transitory Provisions of the CGT as of August 12, 1994, which establish that workers who entered the Institution before the aforementioned date and who complete 55 years of age and 30 years of service, 60 years of age and 26 years of service or 60 years of age and have five years' seniority will be entitled to a retirement pension under the terms of the aforementioned CGT.

In the event of an unjustified dismissal or termination of the employment relationship, if the person has completed 50 years of age and seniority equal to or more than 16 years, the worker may elect to receive a severance payment or a lifetime pension paid calculated based on the first paragraph of the principal characteristics of the retirement plan.

Transitory Article 5, Subsection a) of the CGT, 2006 revision, establishes that persons who have obtained a pension for disability, physical handicap or retirement on a date before the present revision and those workers who, having entered the Institution before the effective date of this revision and to whom the Defined Benefits Retirement Plan is applied, will still have the right to receive the following additional benefits from the Institution at the time of their retirement:

- a) Short-term, medium-term and Special Savings Loans, which will be paid with a charge to administration and promotion expenses at a net guaranteed yield of 18%, of the maximum capacity to be invested, which will be calculated on 41.66% of the net monthly pension multiplied by 72 months, and the available capacity which will be 50% of the net pension less the monthly discounts for the short-term and long-term loans with principal and interest multiplied by 72 months, with a ceiling of 41.66% of the net monthly pension. The Special Savings Loan will generate interest at the annual rate of 1%, which will be withheld by the Institution.

The net periodic cost that affected the results as of December 31, 2012 and 2011 was \$365 and \$790, respectively, including the effect of other postretirement benefits.

As of December 31, 2012 and 2011, the labor obligations fund is \$6,688 and \$6,232, respectively, and is fully invested in an irrevocable trust created in the Institution.

In accordance with NIF D-3 "Employee benefits", the Institution recognized in their consolidated financial statements the effect of liabilities for "Other postretirement benefits", as of December 31, 2012, the net periodic cost recorded in the Institution's results was \$293 and the related liability was \$7,425:

The summary of the actuarial calculations as of December 31, 2012 is as follows:

Calculation hypothesis

Demographics

- a. Mortality rate: Those shown in the EMSSA Mortality Rate Non-invalids Unisex 2009.
- b. Disability rates: Product of experience IMSS-1997.
- c. Turnover rates: Bufete Matemático Actuarial _R.

Below is a table showing some representative values of the demographic tables used:

Age	Mortality EMSSAH_2009	Mortality EMSSAM_2009	Disability IMSS 97	Turnover BMA R
20	0.00197	0.00093	0.000760	0.606061
25	0.00230	0.00095	0.001000	0.112179
30	0.00274	0.00099	0.001120	0.068027
35	0.00332	0.00105	0.001290	0.042735
40	0.00411	0.00116	0.001640	0.027349
45	0.00517	0.00132	0.002210	0.016340
Age	Mortality EMSSAH_2009	Mortality EMSSAM_2009	Disability IMSS 97	Turnover BMA R
50	0.00661	0.00158	0.003470	0.009033
55	0.00859	0.00199	0.007120	0.003814
60	0.01131	0.00270	0.000000	0.000000
65	0.01512	0.00396	0.000000	0.000000

The application of these rates enables an estimate of which current payroll members will become subject to the benefit upon reaching the retirement age; it also enables an estimate of who will reach the retirement age while still on the job and entitled to the benefit.

Economic

For the selection of assumptions used in the actuarial valuation, is based in NIF D-3 and the document prepared by the Committee on Principles and Practice Research Actuary of the Mexican Association of Consulting Actuaries, AC (AMAC), entitled "Methodologies for determining the Actuarial Valuation Assumptions for Pension Plans, Seniority Premiums and Compensation and earlier retirement (or alternative retirement date, should not have retirement plans) and Health Benefits postretirement, dated on July 2009.

The financial hypotheses are shown in the following table:

	2012	2011
Rate of return on assets	7.00%	7.00%
Discount rate before retirement	7.00%	7.00%
Rate of wage increase	4.00%	4.00%
Rate of increase in minimum wage	3.50%	3.50%
Rate of increase for after retirement	3.50%	3.50%
Rate of increase in medical service costs	6.00%	6.00%
Inflation long-term	3.50%	3.50%

Discount rate: the methodology used to determine the discount rate is known as the yield or the internal rate of return (TIR). It consists of calculating the present value of the expected plan flows using the expected rate for each period and subsequently determining a discount rate equal to such present value. The expected rates for each period are based on a yield curve provided by a price supplier.

Asset yield rate: the expected rate of return of the plan assets is equal to the discount rate.

Wage increase rate and minimum wage: based on the information provided by the Institution, relative the wages increase both employees and officials is as follows:

Period	Tabulator Increase		Operative
	Official	% increase	
2008	0.0%		3.0%
2009	4.0%		4.0%
2010	0.0%		3.4%
2011	0.0%		2.6%
2012	0.0%		3.5%

So increase rate at wages is 3.5% plus 0.05 points to contemplate the career salary.

As refers to minimum wage, is considered to be increased according to inflation.

Pension increase rate: pursuant to CGT, the net income of retirees will increase in the same proportion as general increases.

Long-term inflation: The long-term inflation considered was 3.5%, based on the results compiled by BANXICO, from the survey on expectations of private sector economic experts, for the month of October 2012.

The private sector economic analysts interviewed by BANXICO estimated annual inflation as of December 31, 2012 of 4.16%, the estimated inflation for the period 2013-2016 was 3.59%, and for the period 2017-2020 is estimated at an average of 3.42%.

Increase in the cost of medical service: A 6% increase was considered. This was based on a technical study prepared by the AMIS (Asociación Mexicana de Instituciones de Seguros) entitled "Estimated Pricing Levels for Health Services 2009", from which it is inferred that medical inflation is between one and three points above general inflation.

Apart from the aforementioned hypotheses, the following are used for other retirement benefits:

Difference in age of the spouses	When the age of the spouse is unknown, the husband is considered to be three years older and the wife three years younger.
Marital status	When the marital status cannot be ascertained, it is considered that 70% of retiring employees have a spouse covered by the Medical Services Plan of the Institution.
Participation rate	100% of retiring employees have the right to medical services.

Financing system and instrument

The projected unit credit method was followed in accordance with NIF D-3.

Retirement, Seniority Premium and Other Retirement Benefits

The financing instrument used is a trust fund.

Based on the analysis of the results of the actuarial valuation performed, the following is noted:

The results of the valuation were determined based on the requirements established in NIF D-3, under actuarial principles generally accepted in Mexico, in accordance with the standards of the Code of Ethics of the AMAC, and the standards of the Mandatory Bulletin for the Actuarial Valuation of Contingent Liabilities of the AMAC.

Note that the accounting policy selected by the Institution to recognize actuarial gains and losses generated by retirement, seniority premiums, and other retirement benefits is to recognize them during the remaining labor life. Actuarial gains and losses on termination seniority premiums are recognized as accrued in conformity with NIF D-3.

Retirement

- The liability is only determined for the personnel who participated in the defined benefit plan.
- The defined benefits obligations for the retired personnel as of December 31, 2012 and 2011 are \$5,408 and \$5,158, respectively; this represents an increase of 4.84% due to the early retirements during the year.
- The defined benefits obligations of the active personnel as of December 31, 2012 and 2011 are \$1,173 and \$1,149, respectively; this represents a decrease due to the early retirements of the period.
- The plan assets as of the valuation date are \$6,597, which covers 100% of the obligations of the retired personnel and more than 101.37% of the obligations of the active personnel.
- Net periodic cost as of December 31, 2012 is \$53.
- The amount of the accounting reserve as of December 31, 2012 is \$(56).

Seniority Premium

- For purposes of determining the liability for this benefit, all personnel are considered, both those who chose the defined benefit pension plan and those who chose the defined contribution pension plan.
- The actuarial study presents the separation of the seniority premium for retirement benefits and termination benefits; however, the comments will be universal in nature.
- The plan assets at the valuation date are \$36. Please note that the financing level of the employees' obligations exceed 100%.
- Net periodic cost as of December 31, 2012, was determined not to make any contribution by the institution by being plan assets greater than the defined benefit obligation.
- The amount of the accounting reserve as of December 31, 2012 is \$(5).

Other Retirement Benefits

- To determine the liability for this benefit, all personnel are considered, both those who chose the defined benefit pension plan and those who chose the defined contribution pension plan.
- The defined benefit obligations for retired personnel as of December 31, 2012 and 2011 are \$4,279 and \$3,874, respectively, this represents an increase of 10.46% due to the early retirements.
- The defined benefit obligations of active employees as of December 31, 2012 and 2011 are \$1,300 and \$1,176 respectively. This represents an increase of 10.54% due to the early retirements.
- The plan assets at the valuation date are \$4,530 which covers 100% of the obligations of retired employees and 19.33% of the obligations of active employees.
- The amount of the accounting reserve as of December 31, 2012 is \$12.
- Net periodic cost at the end of 2012 was \$148.

Other Postretirement Benefits (PEA and Loans to retirees)

Calculation hypothesis

Demographics

- a. Mortality rate: Those shown in the EMSSA Mortality Rate Non-invalids Unisex 2009.
- b. Disability rates: Product of experience IMSS-1997.
- c. Turnover rates: Bufete Matemático Actuarial _R.

Below we present a table showing certain representative values of the demographic tables used:

Age	Mortality EMSSAH_2009	Mortality EMSSM_2009	Disability IMSS 97	Turnover BMA R
20	0.00197	0.00093	0.000760	0.606061
25	0.00230	0.00095	0.001000	0.112179
30	0.00274	0.00099	0.001120	0.068027
35	0.00332	0.00105	0.001290	0.042735
40	0.00411	0.00116	0.001640	0.027349
45	0.00517	0.00132	0.002210	0.016340
50	0.00661	0.00158	0.003470	0.009033
55	0.00859	0.00199	0.007120	0.003814
60	0.01131	0.00270	0.000000	0.000000
65	0.01512	0.00396	0.000000	0.000000

Economic

For the selection of assumptions used in the actuarial valuation, is based in NIF D-3 and the document prepared by the Committee on Principles and Practice Research Actuary of the AMAC, entitled "Methodologies for determining the Actuarial Valuation Assumptions for Pension Plans, Seniority Premiums and Compensation and earlier retirement (or alternative retirement date, should not have retirement plans) and Health Benefits postretirement, dated on July 2009.

The financial hypotheses are shown in the following table:

	2012	2011
Rate of return on assets	7.00%	7.00%
Discount rate before retirement	7.00%	7.00%
Rate of wage increase	4.00%	4.00%
Rate of increase in minimum wage	3.50%	3.50%
Rate of increase in pensions	3.50%	3.50%
Rate of UDIBONOS to 30 years	2.81%	3.80%
Inflation long-term	3.50%	3.50%

Discount rate: the methodology used to determine the discount rate is known as the yield or the internal rate of return (TIR). It consists of calculating the present value of the expected plan flows using the expected rate for each period and subsequently determining a discount rate equal to such present value. The expected rates for each period are based on a yield curve provided by a price supplier.

Asset yield rate: the expected rate of return of the plan assets is equal to the discount rate.

Wage increase rate and minimum wage: based on the information provided by the Institution, relative the wages increase both employees and officials is as follows

Period	Tabulator Increase		% increase	Operative
	Official			
2008	0.0%			3.0%
2009	4.0%			4.0%
2010	0.0%			3.4%
2011	0.0%			2.6%
2012	0.0%			3.5%

So the rate of increase in wages is 3.5% plus 0.05 points to contemplate the career salary.

Regarding minimum wage it is considered that increases according to the inflation.

Pension increase rate: pursuant to CGT, the net income of retirees will increase in the same proportion as general increases.

Long-term inflation: The long-term inflation considered was 3.5%, based on the results compiled by BANXICO, from the survey on expectations of private sector economic experts, for the month of July 2012.

The private sector economic analysts interviewed by Banco de México estimated annual inflation as of December 31, 2012 of 4.16%, the estimated inflation for the period 2013-2016 was 3.59%, and for the period 2017-2020 is estimated at an average of 3.42%.

30 year Udibonos: The values of the 30 year Udibonos reported in the offering of September 20, 2012 are used to determine the financial cost of the credits.

Financing system and instrument

In accordance with Financial Reporting Standard D-3 "Employee benefits" (NIFD-3), the Projected Unit Credit Method was used.

The financing instrument used is a trust fund.

Calculation bases

The regulations of the benefits valued are established in the GLC of the Institution 2006 Review, in Transitory Article 5, subsection a) which literally states:

FIFTH- Those persons who have obtained a pension for disability, physical handicap or retirement on a date prior to the present revision and those workers who, having entered the Institution after the start of the present revision and to whom the Defined Benefit Pension Plan is applied, will continue to have the right to receive the following additional benefits from the Institutions at the time of their retirement:

- a) Short-term, medium-term and Special Savings Loans, which will be paid with a charge to administration and promotion expenses at a net guaranteed yield of 18%, of the maximum capacity to be invested, which will be calculated on 41.66% of the net monthly pension multiplied by 72 months, and the available capacity which will be on 50% of the net pension less the monthly discounts for the short-term and long-term loans with principal and interest multiplied by 72 months, with a ceiling of 41.66% of the net monthly pension. The Special Savings Loan will generate interest at the annual rate of 1%, which will be withheld by the Institution.

Based on the analysis of the results of the actuarial valuation performed, please note the following:

The results of the valuation were determined based on the requirements established in NIF D-3, under actuarial principles generally accepted in Mexico, in accordance with the standards of the Code of Ethics of the AMAC and the standards of the Mandatory Bulletin for the Actuarial Valuation of Contingent Liabilities of the AMAC.

Please note that the accounting policy chosen by the Institution for the actuarial gains and losses is to recognize them as part of the remaining labor life.

Below is a description of certain important aspects detected in each of the benefits valued.

- The defined benefit obligations for retired employees as of December 31, 2012 and 2011 are \$2,155 and \$2,093, respectively, representing a 3.01% increase due to the change in the mortality table.
- The defined benefit obligations of the active employees as of December 31, 2012 and 2011 are \$1,093 and \$1,101, respectively, this represents a decrease of 0.73%.
- The plan assets as of December 31, 2012 are \$2,884, which do not cover 100% of the obligations of the retired employees and 70.88% from the active crew.
- Net periodic cost at the end of 2012 is \$145.
- The amount of the accounting reserve as of December 31, 2012 is \$(22).

Reconciliation of unrecognized items

As of December 31, 2012, the detail is as follows

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
Actuarial (gain)/loss					
Actuarial (gain)/loss as of December 31, 2011	\$ 167	\$ 3	\$ -	\$ 898	\$ 696
Net actuarial (gain)/loss				30	56
Unrecognized actuarial (gain)/loss	167	3	-	868	640
Actual fund balance*					
Estimated fund	6,597	19	17	4,530	2,884
Actuarial (gain)/loss for fund estimate	6,287	19	17	4,349	2,710
	(310)	-	-	(181)	(174)
Actual defined benefit obligation	6,581	26	8	5,579	3,248
Defined benefit obligation estimate	6,398	26	9	5,229	3,328
(Gain) / loss actuarial estimate of the OBD without early retirement	183	-	(1)	350	(80)
Rate change effect					
(Gain) / loss actuarial estimate of the OBD					
(Gain) / loss period total actuarial	(127)	-	(1)	169	(254)
Recognition rate change					
(Gain) / loss total actuarial	40	3	-	1,037	(386)
Net actuarial (gain)/loss					
Actuarial (gain)/loss in excess of the fluctuation band				480	62
Amortization period	6.29	9.77	-	11.38	6.29
Net actuarial (gain)/loss				42	10

* Actual fund balance as of December 31, 2012.

Net periodic cost for 2012

As of December 31, 2012

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
1. Labor cost of current service (CLSA)					
A. Amount at the start of the year	44	1	-	56	44
B. Interest for the year	3	-	-	4	3
C. Total labor cost of current service	47	1	-	60	47
Percentage CLSA of the annualized payroll	17.98 %	0.28 %	0.12 %	14.64 %	17.98 %
2. Financial cost (CF)					
A. Defined benefit obligation at the start of the year	6,308	24	9	5,049	3,194
B. Expected payments	399	3	2	218	130
C. Average defined benefit obligations	6,108	22	8	4,940	3,129
D. Financial cost	428	2	1	346	219
Percentage CF of the annualized payroll	163.42 %	0.38 %	0.13 %	84.34 %	83.71 %
3. Expected return on plan assets (REAP)					
A. Balance at the start of the year	6,197	18	16	4,140	2,520
B. Expected payments	399	3	2	218	130
C. Recommended annual contribution	53	0	0	148	145
D. Average reserve	6,024	17	15	4,105	2,527
E. Rate of return of the reserve	7.00 %	7.00 %	7.00 %	7.00 %	7.00 %
F. Expected returns	(422)	(1)	(1)	(387)	(177)
Percentage REAP expected on the annualized payroll	161.16 %	0.29 %	0.26 %	70.08 %	67.62 %
4. Amortization for the period					
B. Net actuarial (gain)/loss	-	-	-	30	56
C. Total amortization for the period	-	-	-	30	56
Unpaid percentage cost of the annualized payroll	0.00 %	0.00 %	0.00 %	7.24 %	21.27 %
5. Estimated net periodic cost of the start of the year					
Percentage cost of the period of the annualized payroll	53	2	-	148	145
Percentage cost of the period of the annualized payroll	20.23 %	0.38 %	0.01 %	36.13 %	55.34 %
6. Actuarial (gain)/loss for the period					
Expected percentage cost of the annualized payroll	0.00 %	0.00 %	(2)	0.00 %	0.00 %
Expected percentage cost of the annualized payroll	0.00 %	0.00 %	0.37 %	0.00 %	0.00 %
7. Net periodic cost (CNP)					
CNP percent annualized payroll	53	2	(2)	148	145
CNP percent annualized payroll	20.23 %	0.38 %	0.01 %	36.13 %	21.27 %

Current status

As of December 31, 2012, the detail is as follows:

Defined benefits obligations								
Plan assets								
Defined benefits obligations in excess of plan assets								
Unrecognized actuarial (gain)/loss								
Projected net (liability)/asset								
Reconciliation of the accounting reserve								
As of December 31, 2012								

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
	\$ (6,581)	\$ (26)	\$ (8)	\$ (5,579)	\$ (3,248)
	6,597	19	17	4,530	2,884
	16	(7)	9	(1,049)	(364)
	40	3	-	1,037	386
	<u>\$ 56</u>	<u>\$ (4)</u>	<u>\$ 9</u>	<u>\$ (12)</u>	<u>\$ 22</u>

Reconciliation of the accounting reserve

As of December 31, 2012

Balance at the start of the year					
Net periodic cost in accordance with NIF D-3					
Contribution made to the fund					
Balance at the end of the year					
Income taxes					

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
	\$ (56)	\$ 3	\$ (8)	\$ 12	\$ (22)
	53	1	(1)	148	145
	(53)	-	-	(148)	(145)
	<u>\$ (56)</u>	<u>\$ 4</u>	<u>\$ (9)</u>	<u>\$ 12</u>	<u>\$ (22)</u>

21. Income taxes

Income tax and Business Flat Tax Law - The Institution is subject to ISR and IETU.

ISR is calculated of the rate 30% by considering certain effects of inflation, such as depreciation calculated according to values at constant prices, it is accumulated or it deduced the effect of inflation on certain monetary assets and liabilities is accrued or deducted for the annual adjustment for inflation.

Pursuant to changes to the Federal Revenue Law for 2013, the ISR rate applicable to corporations during 2013 and 2014 has changed. Rates were 30% for 2012 and 2011 and will be 30% for 2013, 29% for 2014, and 28% for 2015 and thereafter.

IETU applies to the sale of goods, the provision of independent services and granting the temporary use or enjoyment of goods, pursuant to the terms defined by the respective law, less certain authorized deductions. The tax payable is obtained by subtracting credits from losses reported for IETU purposes, credits on investments, wage and personal subordinated service credits and the tax incurred in the year from the tax determined. As a general rule, income, deductions and certain tax liabilities are determined based on cash flows.

Based on its financial projections and according to INIF 8, "Effects of the Business Flat Tax", the Management determined that in certain it will pay IETU, based on its financial and tax projections which recognizes deferred IETU.

The provision created in results for ISR and IETU is composed as follows:

	2012	2011
Current:		
IETU	\$ 389	\$ 447
ISR	<u>38</u>	<u>10</u>
	<u>\$ 427</u>	<u>\$ 457</u>
Deferred:		
IETU	<u>\$ (43)</u>	<u>\$ (8)</u>

Reconciliation of the accounting - Tax result- The main items affecting the determination of the Institution and their subsidiaries tax result were the annual adjustment for inflation, provisions, the difference between depreciation and accounting and tax amortization, the difference between the accounting increase of the preventive credit risk estimate and the respective tax deduction.

The main items included in the tax-deferred accounts are:

	2012		2011	
	ISR	IETU	ISR	IETU
Liabilities:				
Investments in fixed assets not deductible	\$ -	\$ 281	\$ -	\$ -
Accounts receivable		2		
Other assets	<u>-</u>	<u>3</u>	<u>-</u>	<u>308</u>
	<u>-</u>	<u>286</u>	<u>-</u>	<u>308</u>
Assets:				
Credit from investment on fixed assets	\$ -	\$ 9	\$ -	\$ 8
Valuation of derivative financial instruments	-	7	-	7
Accounts payable	-	1	-	1
Provisions	3		1	-
Investment in shares valuation	<u>57</u>	<u>17</u>	<u>55</u>	<u>-</u>
	<u>60</u>	<u>17</u>	<u>56</u>	<u>16</u>
Deferred taxes (net)	<u>\$ (60)</u>	<u>\$ 269</u>	<u>\$ (56)</u>	<u>\$ 292</u>

The reconciliation of the statutory ISR, IETU and the effective tax rate expressed as a percentage of income before income taxes is:

	2012	2011
Statutory rate	17.5%	17.5%
Add (less):		
Financial margin	1.5	12.0
Other	<u>2.0</u>	<u>5.5</u>
Effective rate	<u>21.0%</u>	<u>35.0%</u>

22. Stockholders' equity

a. *Common stock.-*

As of December 31, 2012 and 2011, the Institution's common stock paid-in is composed of 23,679,272 Series "A" Certificates of Capital Contribution (CAP's) and 12,198,414 Series "B" CAP's at par value of MX \$50 each certificate.

	2012	2011
Nominal common stock	\$ 2,390	\$ 2,390
Capital not shown	<u>(596)</u>	<u>(596)</u>
Paid-in capital	<u>\$ 1,794</u>	<u>\$ 1,794</u>

Paid-in capital consists of 31,548,000 Series A CAP's and 16,252,000 Series B CAP's at a face value of MX \$50 each. The serie "A" represents 66% from the capital stock of the Institution, which can only be signed by the Federal Government and the series "B" for the remaining 34%.

	2012	2011
Paid-in capital	\$ 1,794	\$ 1,794
Increase for upgrade	<u>7,011</u>	<u>7,011</u>
Capital stock	<u>\$ 8,805</u>	<u>\$ 8,805</u>

b. *Contributions for future capital increases.-*

As of December 31, 2012 and 2011, its value is \$1,950 and \$1,000, respectively.

In its regular session held on September 27, 2012, the Board of Directors authorized the Institution to take the necessary actions to request from the Executive Branch, through the Treasury Department (SHCP), a capital contribution of up to \$950, which was necessary to be able to support the volume of development and investment banking operations, and to obtain a prudential capitalization level for the close of the year 2012. The aforementioned contribution was received and recorded in October 2012.

c. *Share sale premium.-*

Refers to payments made by holders of Series B CAP's. The balance as of December 31, 2012 and 2011 for the premiums paid is \$8,922 respectively.

d. *Capital reserves.-*

The nominal value of these reserves as of December 31, 2012 and 2011 is \$314 and its value at the close of both years is \$1,730.

e. *Result from previous years.-*

As of December 31, 2012 and 2011, the account balance is composed as follows:

	2012	2011
Result from adjustment of changes in accounting policies established by the Commission in Circular 1343	\$ (2,860)	\$ (2,860)
Profit / loss from previous years	1,309	(4,011)
Creation of reserves for foreclosed assets	(260)	(260)
Transfer of undocumented contributions	-	4,467
RETANM realized	(13)	(13)
Reserve for pensions, PEA and loans to retirees	<u>(4,310)</u>	<u>(4,310)</u>
	<u>\$ (6,134)</u>	<u>\$ (6,987)</u>
Retrospective effect to 2011		
Valuation result in associates and affiliates	\$ 3,288	\$ 3,288
Adjustment for accumulated depreciation of fixed assets	(96)	(96)
Deferred Tax	<u>(333)</u>	<u>(333)</u>
	<u>\$ (3,275)</u>	<u>\$ (4,128)</u>

With retrospective effect to 2011, the transfer to Results from prior years was made by the amount of \$ 2,859 for the valuation result in associates and affiliates of the permanent investment that keeps the Institution in different companies, in accordance with Office: 113 - 1-51824/2012 issued on November 6, 2012 by the Commission.

f. *Result from valuation of securities available for sale.-*

This heading records the adjustments derived from the at-market valuations of securities available for sale. The gain or loss is recorded as realized in results up to the year in which the security is sold or matures.

As of December 31, 2012 and 2011, the result from at-market valuation of securities available for sale is composed as follows:

	2012	2011
Valuation of securities available for sale	<u>\$ 51</u>	<u>\$ 57</u>
Total	<u>\$ 51</u>	<u>\$ 57</u>

g. *Effects from valuation of associated and affiliated companies.-*

The surplus or deficit not derived from operating results of the associated or affiliated companies is recognized in this heading. As of December 31, 2012 and 2011, an increase of \$2 and a decrease of \$2,890, respectively, of this amount was transferred to Results from previous years \$2,859, in conformity with Official Notice: 113-1-51824/2012 issued on November 6, 2012 by the Commission.

h. *Legal provisions.-*

On November 23, 2008, the SHCP published new rules for the capitalization requirements of full-service banks, national credit companies, and development banks, which went into effect as of January 1, 2010. These new capitalization rules establish requirements with specific net capital levels, as a percentage of assets with market and credit risk. In this regard, as of December 31, 2012, there is a level of 16.35%, confirmed by BANXICO.

Cash dividends earned by corporations that reside in Mexico are not subject to withholding, except when they come from accounts other than the Net Tax Income Account (CUFIN).

23. Statements of income

The main items comprising the consolidated statement of income of the Institution for 2012 and 2011 are as follows:

Net income.-

Concept	2012		
	Total	Local currency	Foreign currency
<i>Interest from current portfolio</i>			
Commercial activity	\$ 1,351	\$ 1,321	\$ 30
Mortgage loans	3	3	-
Government entity loans	518	515	3
Federal government's financial agent	182	-	182
Second tier credits	4,657	4,487	170
	<u>6,711</u>	<u>6,326</u>	<u>385</u>
<i>Interest income from past-due portfolio</i>			
Second tier credits	3	3	-
Consumer loans	1	1	-
Mortgage loans	3	3	-
	<u>7</u>	<u>7</u>	<u>-</u>
<i>Interest and yields earned on investment in securities</i>			
Trading	231	-	231
Available for sale	55	2	53
Held to maturity	810	759	51
	<u>1,096</u>	<u>761</u>	<u>335</u>
<i>Interest and yields earned on repurchase agreement operations</i>			
From operations of repurchase agreement	13,540	13,540	-
	<u>13,540</u>	<u>13,540</u>	<u>-</u>
<i>Income for cash and cash equivalents</i>			
Banks	12	-	12
Restricted cash	614	608	6
	<u>626</u>	<u>608</u>	<u>18</u>
<i>Commissions earned on lending transactions (adjustment to yield)</i>			
Commercial credits	101	94	7
	<u>101</u>	<u>94</u>	<u>7</u>
<i>Interest income on subsidiaries</i>			
Other	10	-	10
	<u>10</u>	<u>-</u>	<u>10</u>
Total interest income	<u>\$ 22,091</u>	<u>\$ 21,336</u>	<u>\$ 755</u>

Concept	2012		
	Total	Local currency	Foreign currency
<i>Interest expense</i>			
Interest on term deposits	\$ 5,366	\$ 5,323	\$ 43
Interest on bank bonds	432	394	38
Interest expense on interbank loans and from other agencies	316	64	252
Interest	<u>12,001</u>	<u>12,001</u>	<u>-</u>
	18,115	17,782	333
Loss on valuation changes; Loss on valuation changes	<u>1,035</u>	<u>-</u>	<u>1,035</u>
Total interest expense	<u>\$ 19,150</u>	<u>\$ 17,782</u>	<u>\$ 1,368</u>
Financial margin	<u>\$ 2,941</u>	<u>\$ 3,554</u>	<u>\$ (613)</u>
Intermediation result			
<i>Result on valuation at fair value and decrease on securities at value cost</i>			
Trading securities	\$ 89	\$ 89	\$ -
Derivative instruments for trading purposes	(107)	(61)	(46)
Hedging financial instruments	<u>(55)</u>	<u>9</u>	<u>(64)</u>
	<u>(73)</u>	<u>37</u>	<u>(110)</u>
Income from trading securities and derivative financial instruments			
Trading securities	491	491	-
Derivative instruments with trading purposes	<u>603</u>	<u>580</u>	<u>23</u>
	<u>1,094</u>	<u>1,071</u>	<u>23</u>
Intermediation result	<u>\$ 1,021</u>	<u>\$ 1,108</u>	<u>\$ (87)</u>
<i>Other income (loss) of operation</i>			
Reversal of excess of allowance for loan losses	\$ 71	\$ 67	\$ 4
Impact on the estimate for doubtful accounts	(1)	(1)	-
Gain on sale of foreclosed assets	6	6	-
Allowance for foreclosed assets	(3)	(3)	-
Other losses	(8)	(8)	-
Income on loans to personnel	40	40	-
Other income (expenses) of the operation (a)	(1,601)	(1,603)	2
Other income (expenses) from subsidiaries	<u>119</u>	<u>119</u>	<u>-</u>
	<u>\$ (1,377)</u>	<u>\$ (1,383)</u>	<u>\$ 6</u>

- (a) On October 2, 2012, the Institution made the payment of \$1800, in conformity with that established in Official Notice number 102.-B-146 dated September 25, 2012, issued by the Office of Undersecretary of the Treasury Department, in which the Federal Government orders the payment of an additional government charge for the sovereign guarantee of the Federal Government.

Concept	2011		
	Total	Local currency	Foreign currency
<i>Interest from current portfolio</i>			
Commercial activity	\$ 1,048	\$ 1,024	\$ 24
Mortgage loans	4	4	-
Government entity loans	637	634	3
Federal government's financial agent	350	-	350
Second tier credits	4,569	4,486	83
	<u>6,608</u>	<u>6,148</u>	<u>460</u>
<i>Interest income from past-due portfolio</i>			
Commercial activity	1	1	-
Second tier credits	4	4	-
Consumer loans			
Mortgage loans	1	1	-
	<u>6</u>	<u>6</u>	<u>-</u>
<i>Interest and yields earned on investment in securities</i>			
Trading	166	166	-
Available for sale	54	-	54
Held to maturity	1,114	1,054	60
	<u>1,334</u>	<u>1,220</u>	<u>114</u>
<i>Interest and yields earned on repurchase agreement operations</i>			
From operations of repurchase agreement	10,896	10,896	-
	<u>10,896</u>	<u>10,896</u>	<u>-</u>
<i>Income for cash and cash equivalents</i>			
Banks	8	-	8
Restricted cash	825	1	824
	<u>833</u>	<u>1</u>	<u>832</u>
<i>Commissions earned on lending transactions (adjustment to yield)</i>			
Commercial credits	67	56	11
	<u>67</u>	<u>56</u>	<u>11</u>
<i>Interest income on subsidiaries</i>			
Other	1	1	-
	<u>1</u>	<u>1</u>	<u>-</u>
Total interest income	<u>\$ 19,745</u>	<u>\$ 18,328</u>	<u>\$ 1,417</u>
<i>Interest expense</i>			
Interest on term deposits	\$ 5,883	\$ 5,862	\$ 21
Interest on bank bonds	375	342	33
Interest expense on interbank loans and from other agencies	489	80	409
Interest	9,399	9,399	-
Loss on valuation changes			
Loss on valuation changes	1,881	1,881	-
	<u>1,881</u>	<u>1,881</u>	<u>-</u>
Total interest expense	<u>\$ 18,027</u>	<u>\$ 17,564</u>	<u>\$ 463</u>
Financial margin	<u>\$ 1,718</u>	<u>\$ 764</u>	<u>\$ 954</u>

Concept	2011		
	Total	Local currency	Foreign currency
Intermediation result			
<i>Result on valuation at fair value and decrease on securities at value cost</i>			
Trading securities	\$ (506)	\$ (506)	\$ -
Derivative instruments for trading purposes	75	(7)	82
Hedging financial instruments	(15)	(27)	12
	<u>(446)</u>	<u>(540)</u>	<u>94</u>
Gain on valuation of precious metal coins	<u>1</u>	<u>-</u>	<u>1</u>
<i>Result on trading of securities and derivative financial instruments</i>			
Trading available for sale	679	679	-
Derivative instruments with trading purposes	<u>1,440</u>	<u>1,264</u>	<u>176</u>
	<u>2,119</u>	<u>1,943</u>	<u>176</u>
Intermediation result	<u>\$ 1,674</u>	<u>\$ 1,403</u>	<u>\$ 271</u>
<i>Other income (loss) of operation</i>			
Reversal of excess of allowance for loan losses	\$ 127	\$ 117	\$ 10
Gain on sale of foreclosed assets			
Allowance for foreclosed assets	(2)	(2)	-
Other losses	(85)	(85)	-
Income on loans to personnel	40	40	-
Other income (expenses) of the operation (b)	(989)	(989)	-
Other income from subsidiaries	<u>145</u>	<u>145</u>	<u>-</u>
	<u>\$ (764)</u>	<u>\$ (774)</u>	<u>\$ 10</u>

- (b) On December 6, 2011, the Institution made a payment of \$1,250 as established in official notice number 102.-B-188 dated December 6, 2011, issued by the Office of the Assistant Secretary of the Treasury Department, in which the Federal Government ordered the payment of a non-tax charge for the sovereign guarantee by the Federal Government

24. Commitments and contingencies

Guarantees and sureties

As of December 31, 2012 and 2011, the Institution has granted sureties for \$518 and \$295 respectively, which represent a contingent risk if the secured debtor does not settle his debt with the creditor institution. In 2012 and 2011, no losses on sureties were recorded in results of the year; however, when a secured borrower has not timely repaid his debt, the Institution has granted credits to fulfill its obligation. In 2012, no credits of this kind were granted.

Contingent assets and liabilities

As of December 31, 2012 and 2011, this item amounted to \$ 31,533 and \$ 24,019, respectively, composed as follows:

Concept	2012	2011
Contingent liabilities		
Guarantees granted (a)	\$ 40,900	\$ 31,178
Receivables from claims	494	514
Commitments	<u>104</u>	<u>-</u>
	<u>\$ 41,498</u>	<u>\$ 31,692</u>
Contingent assets		
Counter guarantee received from the Trust for Business Financing. (b)	\$ 9,707	\$ 7,393
Guarantees paid to be recovered without warranty (c)	<u>258</u>	<u>280</u>
	<u>\$ 9,965</u>	<u>\$ 7,673</u>
Contingent assets and liabilities	<u>\$ 31,533</u>	<u>\$ 24,019</u>

(a) The item of guarantees provided mainly recognizes that granted to the Fund for Risk Participation, which as of December 31, 2012 and 2011, shows an amount of guarantees granted for \$39,438 and \$29,386, respectively. These guarantees represent the amount of the responsibilities assumed by the Institution to guarantee to the financial intermediaries that they will recover their credit portfolio.

(b) The Trust Fund for Risk Equity reduces the Institution's contingency through the counter guarantee received from the Counter Guarantee Trust for Business Financing which grants loans for specific purposes, who has resources assigned for these purposes to 31 December 2012 and 2011, for \$9,707 and \$7,393, respectively. insuring for this amounts the recovery of the guarantees exercised by the financial intermediaries who assume the commitment to arrange the in-court or out-of-court recovery of the loans of their end borrowers

Additionally to that counter guarantee, the Fund has established an allowance for loan losses at December 31, 2012 and 2011 for \$ 202 and \$ 151, respectively, in the terms established by the Commission.

With the received counter guarantee and the level of allowance made, the Institution believes that the exposure is hedged with such resources based on the experience observed in the Guarantee Program.

(c) In the concept of paid guarantees pending recovery to be recovered without guarantee it has recognized the amount of guarantees honored by the institution who are in the recovery process from financial intermediaries and that did not coverage Counter guarantee Trust Financing business.

Credit commitments

As of December 31, 2012 and 2011, the Institution has undisposed credit lines and lines of guarantees granted to financial intermediaries by the Institution, in the amount of \$50,503 and \$38,172, respectively. As of December 31, 2012, \$26,200 refers to credit lines and \$24,303 to lines of guarantees granted, respectively, whereas as of December 31, 2011, \$19,805 refers to credit lines and \$18,367 to lines of guarantees granted, respectively.

25. Property held in trust or under mandate

As of December 31, 2012 and 2011, the balances of the transactions in which the Institution acts as Trustee are composed as follows:

	2012	2011
Investment trust	\$ 16,092	\$ 15,322
Management trust	698,495	559,290
Guarantee trust	<u>44,640</u>	<u>38,891</u>
	759,227	613,503
Under mandate	<u>39,957</u>	<u>38,335</u>
	799,184	651,838
Financial agent of the Federal Government	<u>176,823</u>	<u>167,327</u>
Total	<u>\$ 976,007</u>	<u>\$ 819,165</u>

In the case of trusts, these refers to entities with own legal personality separately from the institution. These balances represent the valuation of all assets of the trusts, which together represents assets valued with different accounting practices and that in essence, represent neither rights nor contingency entity to which the institution is subject if breach of fiduciary work.

The guarantee trusts denote entities that remains part of their assets in trust loans, securities, property, etc., which serve as guarantee for the payment of financing they receive from other credit institutions, the trustees thereof. The organization serves as the trustee only in those entities.

The Institution's revenues from its fiduciary activities during the years 2012 and 2011 were \$161 and \$159, respectively.

As of December 31, 2012 and 2011, the trust accounts include a balance of \$ 505 and \$ 548, respectively, corresponding to the assets of the Trust Portfolio Recovery (FIDERCA), which manages accounts difficult recovery that originally belonged to the institution and that in the course of 1996 were transferred to the Federal Government. Currently the institution is the owner of the respective beneficiary rights.

The organization established the trust to strengthen its capital pursuant to the provisions of Article 55a of the Law on Credit Institutions and in accordance with the general rules which must be subject to the National Credit Societies, Banking Institutions development, for the operation thereof, published on October 24, 2002 in the Official Journal of the Federation.

26. Other recording accounts

As of December 31, 2012 and 2011, the balances of other recording accounts are composed as follows:

	2012	2011
Unrecovered paid guarantees covered by providers of counter collateral (a)	\$ 7,079	\$ 3,223
Paid guarantees reported by intermediaries as bad debts without counter collateral (b)	20	-
Control of loan portfolio expirations	114,646	116,589
Control of expirations of liabilities	129,648	129,168
Classification of loan portfolio by degree of risk	156,764	148,919
Credits obtained not applied (Note 18)	1,926	1,105
Other recording accounts (c)	<u>109,053</u>	<u>129,980</u>
	<u>\$ 519,136</u>	<u>\$ 528,984</u>

(a) In this concept it is recognized the amount of guarantees honored by the institution in the process of recovery from the financial intermediaries if the counter guarantee and had been covered by the Counter-Trust Business Financing.

(b) These refer to the amounts of unrecovered guarantees for which collection efforts by the intermediaries have been exhausted and which did not have counter collateral.

(c) Recording accounts are included for the control of renewed and restructured credits, bad debts, bad debts applied against the provision, pledges to secure credits, credit instruments and coupons to be incinerated, IVA recorded by States, portfolio in recovery, issuance of interim certificates, assets foreclosed or received in payment that were written off provisionally, control of amounts contracted in repurchase agreements and derivatives, allowances for portfolio losses by financial intermediaries and unspecified sundry items.

27. Principal items comprising the statements of income

For the first floor Credit segment, the loan portfolio placed directly with the public sector and private sector was considered, whereas the loan portfolio and channeled through bank and non-bank financial intermediaries was considered for the second floor Credit Segment.

At December 31, 2012, the assets, liabilities and results of operations for the main business segments of the institution, are presented below:

Business Segments	Assets		Liabilities and Capital		Income		Expenses		Income (Expense), net	
	Amount	% part.	Amount	% part.	Amount	% part.	Amount	% part.	Amount	
Markets and Treasury	\$ 226,189	64.8	\$ 226,189	64.8	\$ 1,292	22.5	\$ 388	8.9	\$ 904	
Credit first floor	18,968	5.4	18,968	5.4	400	7.0	90	2.0	310	
Credit second floor	92,057	26.4	92,057	26.4	1,980	34.1	778	17.7	1,182	
Credit Guarantees	-	-	-	-	1,295	22.6	586	13.4	709	
Financial Agent	4,320	1.2	4,320	1.2	255	4.4	119	2.7	136	
Fiduciary	-	-	-	-	172	3.0	167	3.8	5	
Other areas	7,540	2.2	7,540	2.2	368	6.4	91	2.1	277	
Use and retirees spending	-	-	-	-	-	-	2,163	49.4	(2,163)	
Total	\$ 349,074	100.0	\$ 349,074	100.0	\$ 5,742	100.0	\$ 4,384	100.0	\$ 1,358	

The Markets and Treasury segment includes investments in money markets, capital, foreign exchange and treasury.

For the first floor Credit segment, the loan portfolio placed directly with the public sector and private sector was considered, whereas the loan portfolio and channeled through bank and non-bank financial intermediaries was considered for the second floor Credit Segment.

The Credit Collateral segment includes the guarantees granted to banks and non-bank financial intermediaries. The balances of this segment are presented in memorandum accounts and as of December 31, 2012 reflect \$39,438.

The balances of the Financial Intermediary segment refer to the activities performed for the Federal Government to administer resources obtained from international financial agencies, and as of December 31, 2012 present the amount of \$181,143, of which \$176,823 is recorded in the memorandum accounts.

The Fiduciary segment includes Management Services from internal and external trusts, which as of December 31, 2012, amounts to \$ 799,184 and is presented in the memorandum accounts.

The Other Areas segment includes that related to investment banking and the balances of subsidiaries. Commissions for loan restructurings, securitized guarantees, and the results of participation in the venture capital of public and private companies are handled as investment banking.

Results by business segment at December 31, 2012, are presented below:

Income:	Markets and Treasury	Credit first floor	Credit second floor	Credit Guarantees	Financial Agent	Fiduciary	Other areas	Use and retirees spending	Total
Net Financial Income	\$ 1,292	\$ 400	\$ 1,960	\$ 1,295	\$ 255	\$ 172	\$ 368	\$ -	\$ 5,742
Expenses:									
Operating expense	(302)	(49)	(572)	(270)	(101)	(132)	(62)	-	(1,508)
Operating profit	990	351	1,388	1,025	154	20	306	-	4,234
Credit reserve and penalties	(2)	(15)	(86)	(72)	(1)	(3)	(4)	-	(183)
Retirees spending	-	-	-	-	-	-	-	-	(365)
Other expenses and taxes 2/	(84)	(26)	(120)	(244)	(17)	(12)	(25)	(1,800)	(2,328)
Net income	\$ 904	\$ 310	\$ 1,182	\$ 709	\$ 136	\$ -	\$ 277	\$ -	\$ 1,358
1/ Includes the following areas: Investment Banking Subsidiaries and Other Income (Expense), net.									
2/ Includes 638 from taxes and FTU.									

28. Comprehensive result

Below we present the determination of the Institution's comprehensive result for 2012 and 2011:

	2012	2011
Net result for the year	\$ 1,358	\$ 825
Effect of items recognized in stockholders' equity that did not affect results:		
Result from valuation of securities available for sale	(6)	45
Effects of valuation in associated and affiliated companies	30	(31)
Accumulated effect for conversion	(96)	-
Non controlling interest	<u>74</u>	<u>158</u>
	<u>2</u>	<u>172</u>
Comprehensive result	<u>\$ 1,360</u>	<u>\$ 997</u>

29. Capitalization ratio

At December 31, 2012, the capitalization ratio was 16.35%, which is based on net capital of \$18,759 and assets adjusted for total risks of \$114,720.

a. *Basic and complementary capital*

The Institution's net capital is \$18,072 and complementary capital of \$687

Stockholders' equity		<u>\$ 19,611</u>
Investments in shares of finance companies and their holding companies:		
Investment companies and funds, related to their fixed capital and their holding companies	56	
Other national finance companies	2	
Direct investments in foreign finance companies	445	
Investments in shares of companies	<u>1,036</u>	
Venture capital	1,036	
Total basic capital		<u>18,072</u>
Allowances for loan losses recorded as complementary capital	<u>687</u>	
Complementary capital		<u>687</u>
Net capital		<u>\$ 18,759</u>

b. *Assets adjusted for Market Risks*

The assets adjusted for Market Risks is up to \$45,927 and is equivalent to a capital requirement of \$3,674.

Concept	Amount of equivalent positions	Capital requirement
Foreign currency transactions at a nominal rate	\$ 8,848	\$ 708
Mexican peso transactions with spread	14,990	1,198
Transactions at a real rate	14,116	1,129
Foreign currency transactions at a nominal rate	3,769	302
Transactions with a rate referenced to the minimum wage	-	-
Positions in UDIs with returns referenced to the INPC	73	6
Positions in foreign currency or with returns indexed to the exchange rate	71	6
Positions in transactions referenced to the minimum-wage	<u>4,060</u>	<u>325</u>
Total	<u>\$ 45,927</u>	<u>\$ 3,674</u>

c. *Assets adjusted for Credit Risks*

The assets adjusted for credit risks are \$59,439 and equal a capital requirement of \$4,756.

Concept	Risk-weighted assets	Capital requirement
Group III	\$ 9,703	\$ 776
Group IV	1,802	144
Group VI	161	13
Group VII	28,923	2,314
Group IX	<u>3,489</u>	<u>279</u>
Credit transactions	<u>44,078</u>	<u>3,526</u>
Derivatives transactions and repurchase agreements	407	33
Issuers of debt securities in position	2,727	218
For securities and credit lines granted and securitizations	2,482	199
Permanent investments and other assets	1,321	106
Derivatives transactions and repurchase agreements	<u>8,424</u>	<u>674</u>
Total credit risks	<u>\$ 59,439</u>	<u>\$ 4,756</u>

d. *Operational risk-adjusted assets*

The operational risk-adjusted assets amounted to \$ 9,354 and are equivalent to a capital of \$ 748

30. **Risk management**

Risk management and follow-up

Domestic and international risk management regulations have undergone unprecedented changes in recent years, incorporating a preventive approach to the financial processes performed by credit institutions, and the obligation to issue internal guidelines which establish controls so as to avoid any economic loss due to the materialization of risks, whether discretionary, nondiscretionary or even those which cannot be quantified.

To ensure compliance with the terms of the different prudential risk management, credit, and internal control provisions applicable to credit institutions, as well as that established by Mexican regulatory agencies to prevent money laundering, the Institution has made every effort to implement the international standards systematically and comprehensively in its controls and processes (unaudited).

Discretionary quantifiable risks

Market risks-

The Institution uses the Value at Risk (VaR) methodology to calculate the market risk of its Trading, Available for Sale and Held to Maturity portfolios, including hedge positions. Generally speaking, the methodology being applied is that of historical simulation.

General principles may be summarized as follows:

- The confidence interval being applied in the VaR calculation is 97.5% (considering the left side of the distribution of losses and profits).
- The base time horizon considered is one day.

One year historical information on risk factors is included for the purpose of scenario generation.

- The following risk factors are considered: domestic and foreign interest rates, spreads, exchange rates, share indexes and prices.

Apart from the VaR information, sensitivity measures are calculated and stress testing is performed. As of July 2005 back testing is performed each month to statistically validate that the market risk measurement model provides reliable results within the parameters selected by the Institution.

The limits which receive daily follow-up as of this date are:

- Value at Risk: determined based on the capital assigned to market risks.
- Regulatory capital: based on the rules for the capitalization requirements of financial institutions.
- Notional: related to the nominal maximum values in which a position may be held.
- Maximum loss measurement: a maximum loss limit established for adverse market trends.

The amount of the average market Value at Risk quarter average is \$ 31,248 representing 0.17% of net capital as of December 31, 2012.

Markets	
VaR \$31,248	
<hr/>	
Trading	Treasury
VaR \$22,307	VaR \$8,941

Management of assets and liabilities-

The management of assets and liabilities refers to the handling of risks which affect the bank's balance sheet. It includes the necessary management techniques and tools to identify, measure, monitor, control and administer the financial risks (liquidity and interest rate) to which the Institution's balance sheet is exposed. Its purpose is also to maximize the return adjusted for market risks and, consequently, optimize the use of the bank's capital.

Liquidity risk-

The liquidity risk affecting a bank is generally classified into two categories:

- Market liquidity risk: This is the possibility of economic loss due to the difficulty of selling or covering assets without a significant reduction in their price. This type of risk arises as a result of drastic movements in interest rates, when major positions are adopted in one or more instruments or investments are made in markets or instruments for which there is no broad market supply and demand.
- Funding liquidity risk: This represents the difficulty faced by an institution in obtaining the necessary resources to meet its obligations, either through revenues generated by its assets or the assumption of new liabilities. This type of crisis is generally due to a drastic and sudden deterioration in the quality of the assets, which makes it very hard to convert them into liquid resources.

In compliance with established Comprehensive Risk Management provisions, the Institution has developed a "Liquidity Plan", which establishes different measurements to cover the aforementioned risks.

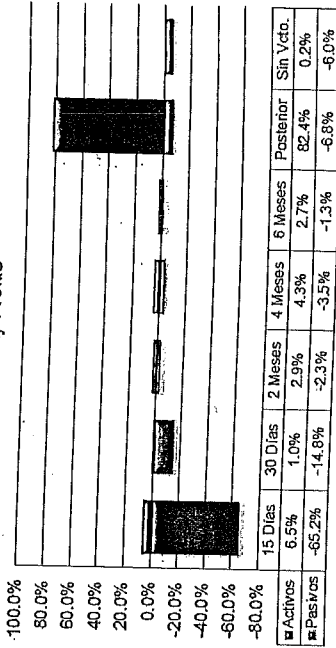
Maturity profile in national currency

Active and passive operations in domestic currency increased 1.1% during the fourth quarter of 2012 to stand at the end of December at \$339,714, due to increased, from the loan portfolio, as well as core deposits.

Maturity bands	Sep-12			Dic-12		
	Assets	Liabilities	Gap	Assets	Liabilities	Gap
Up to 7 days	15,290	203,600	(188,310)	18,170	187,036	(168,866)
Up to 15 days	6,723	19,285	(12,562)	3,921	34,547	(30,626)
Up to 22 days	4,995	21,650	(16,655)	4,071	15,315	(11,244)
Up to 1 month	2,307	24,748	(22,441)	(749)	34,946	(35,695)
Up to 1 month and 15 days	5,421	8,239	(2,818)	5,093	7,152	(2,059)
Up to 2 months	6,287	5,815	472	4,658	826	3,832
Up to 3 months	7,406	7,990	(584)	9,446	11,124	(1,678)
Up to 4 months	6,108	2,728	3,380	5,055	669	4,386
Up to 5 months	2,682	-	2,682	5,113	3,975	1,138
Up to 6 months	2,491	521	1,970	3,920	298	3,622
After	275,247	21,235	254,012	279,827	23,150	256,677
No defined maturity	1,185	20,331	(19,146)	1,189	20,676	(19,487)
Total	336,142	336,142	100.0%	339,714	339,714	100.0%

The negative liquidity gap in the horizon of one month amounted to \$ 246,431, \$ 6,463 higher level than that recorded in the previous quarter by \$239,968. Note that if you separate the positions of trading, the spread narrows to \$56,973, and this amount the liquidity gap in the banking in local currency; of which more than half is managed fundraising that comes from a base stable and diversified customer.

Maturity Profile



7.5% of assets and 80.1% of liabilities will expire during January 2013.

Maturity profile in foreign currency

Active and passive operations in foreign currency registered a reduction of 13.9% in the trimester, resulting from the evolution of short-term investments, from operations peso-dollar arbitration and short-term uptake

Maturity bands	Sep-12		Gap	Dic-12		Gap
	Assets	Liabilities		Assets	Liabilities	
Up to 7 days	903.9	44.8%	191.0	523.1	30.1%	404.8
Up to 15 days	227.7	11.3%	(314.7)	160.7	9.2%	(331.4)
Up to 22 days	18.6	0.9%	(174.7)	88.7	5.1%	(181.2)
Up to 1 month	107.5	5.3%	78.9	139.9	8.0%	(16.5)
Up to 1 month and 15 days	45.2	2.2%	40.1	156.4	1.0%	(129.5)
Up to 2 months	23.1	1.1%	(20.2)	107.3	6.2%	86.3
Up to 3 months	47.8	2.4%	33.1	18.2	1.0%	2.1
Up to 4 months	8.4	0.4%	(1.6)	13.3	0.8%	8.7
Up to 5 months	3.8	0.2%	(25.6)	18.4	1.1%	12.3
Up to 6 months	4.9	0.2%	(8.2)	6.6	0.4%	3.2
After	508.7	25.2%	120.2	525.4	30.2%	37.6
No defined maturity	120.0	6.0%	81.7	119.9	6.9%	103.6
Total	2,019.6	100.0%	1,738.3	1,738.3	100.0%	-

Expected loss

The expected loss on a loan portfolio is obtained using the portfolio classification methodology established in Chapter V of the Sole Circular issued by the Commission, related to Loan portfolio Classification.

Based on the reserve obtained under this methodology, the following assumptions are also established:

- The overdue portfolio is not considered because the default event occurred in it.
- The former employees' portfolio is excluded in order to directly measure the effect of the expected losses in the portfolio with private-sector risk.
- The contingent loan portfolio of Trust 11480 is not considered because this Trust is responsible for managing its credit risk.
- Additional reserves are not included.

Portfolio	Estimate of expected losses		
	Loan portfolio balances	Expected loss	% expected loss
Exempted	\$ 4,524	\$ -	-
Risk A	91,714	686	0.75%
Risk B	18,713	1,308	6.99%
Risk C	53	52	98.24%
Risk D	-	-	-
Risk E	31	31	100.00%
Classified	<u>110,511</u>	<u>2,077</u>	<u>1.88%</u>
Total	<u>\$ 115,035</u>	<u>\$ 2,077</u>	<u>1.81%</u>

Under these assumptions, at December 31, 2012 the total portfolio stood at \$ 115.035, while the expected loss of the loan portfolio amounted to \$ 2.077, equivalent to 1.88% of the portfolio rated and 1.81% of the total portfolio.

Unexpected losses

The unexpected loss represents the potential impact on the bank's capital due to unusual losses in the loan portfolio; the level of coverage of this loss for the capital and reserves of an Institution is an indicator of solvency adjusted for the related risk.

As of December 2005, the Institution estimates the unexpected loss for its loan portfolio operations using analytical and Monte Carlo simulation methodologies. As of that date, these measures and their behavior due to the different changes in environment have been observed to determine which should be used to measure risk in the Institution's loan portfolio.

In November 2007, the Comprehensive Risk Management Committee concluded that of the methodologies proposed to estimate the unexpected loss, the economic methodology is most aligned with the basic internal method approved by Basel II, based on:

- The similarity in concepts between the economic methodology proposed and the credit risk capital requirement estimated under the basic approach of Basel II. This approach allows banks to estimate the necessary capital requirement to support their risk using internal methods.
- The high levels of correlation and similarity in the average capital requirement observed during one year of internal application of the unexpected loss methodologies proposed for the loan portfolio.

Furthermore, it is considered that the unexpected loss of the loan portfolio should continue to be estimated monthly through the valuation and Monte Carlo methodologies in order to have information in the event of future changes in bank regulations in which the portfolios at market valuation may be requested. These methodologies are applied in a one-year horizon and with a 95% confidence level.

At the close of December 2012, the estimate of the unexpected loss under the economic approach is \$9,766. By the same token, the credit VaR is \$10,563 and represents 9.53% of the portfolio at risk.

Counterparty risk and diversification-

The Institution exercises comprehensive control of counterparty risk, applying the limits of credit exposure established; these limits consider the operations throughout the balance sheet; i.e., both in the financial markets and in the loan portfolio. The methodology used is consistent with the General Rules for Risk Diversification in the Performance of Asset and Liability Operations Applicable to Credit Institutions.

At the close of December 2012

No economic group concentrates credit risk above the maximum financing limits.

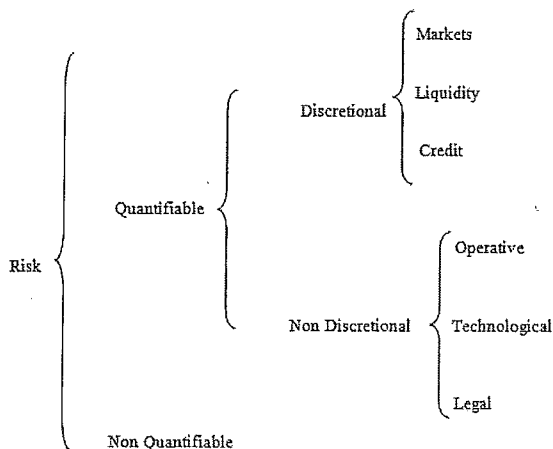
The following loans exceed 10% of basic capital at the individual level:

Number of loans	Total amount	Percentage of capital
17	78,773	454.2%

The amount of financing with the three largest debtors or, as the case may be, groups of persons representing common risk, is \$25,129.

Operative risk

Based on these Provisions, the Commission establishes a basic classification for the different types of risks they are exposed to credit institutions:



Qualitative analysis

Self-assessment methodologies (ScoreCards) are used to classify the relevant processes of the Quality Management System (S.G.C.) based on two indicators:

Nature. The degree of importance of the process analyzed with respect to the other processes of the institution and require greater or lesser availability of resources and infrastructure to ensure business continuity, and tolerance levels are distributed as follows:

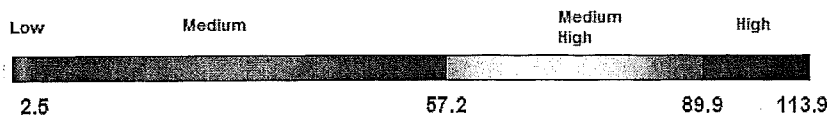


The result obtained from the most relevant processes at the close of December 2012 is as follows:

HERO Id process	Name of process */	Nature indicator	Tolerance level
9	Custody and handling of securities	73.84	High Risk
11	Flow of funds	73.72	High Risk
43	Money market	71.37	High Risk
26	Foreign exchange	64.16	Medium High Risk
15	Cashier	63.77	Medium High Risk
20	Treasury	63.30	Medium High Risk
1	Capital	55.31	Medium High Risk
149	Portfolio Recovery first-tier emerging programs and ex employees	54.93	Medium High Risk
29	Safekeeping of securities	54.87	Medium High Risk
150	Portfolio Recovery second tier	52.27	Medium High Risk
3	Expense operation	51.96	Medium High Risk
17	M.D.C.	46.97	Medium High Risk
58	Guarantees	43.85	Medium High Risk
151	Financial Agent – Back Office	43.75	Medium High Risk
154	Fiduciary process	43.03	Medium High Risk
30	Accounting-markets	39.61	Medium High Risk
141	Financial Agent - Front Office	39.06	Medium High Risk
147	Electronic products management and tables	38.37	Medium High Risk

*/ The higher the point score, the more critical the process

Efficiency- This is the measure of the proper execution of a process, which enables the development of plans to anticipate undesirable events and allow the perception of operational risk to be sensitized through a measurement. Its tolerance levels are distributed as follows.



The result obtained from the most relevant processes at the close of December 2012 is as follows:

HERO Id process	Name of process	Nature indicator */	Tolerance level
154	Fiduciary process	26.40	Medium Risk
11	Flow of funds	25.77	Medium Risk
30	Accounting-markets	25.07	Medium Risk
29	Safekeeping of securities	24.38	Medium Risk
147	Electronic products management and tables	22.97	Medium Risk
141	Financial Agent - Front Office	21.15	Medium Risk
151	Financial Agent – Back Office	19.9	Medium Risk
3	Expense operation	19.07	Medium Risk
17	M.D.C.	17.25	Medium Risk
20	Treasury	16.61	Medium Risk
15	Cashier	16.18	Medium Risk
26	Foreign exchange	14.31	Medium Risk
1	Capital	13.82	Medium Risk
43	Money market	13.54	Medium Risk
58	Guarantees	13.31	Medium Risk
43	Money market	12.85	Medium Risk
9	Custody and handling of securities	12.46	Medium Risk
150	Portfolio Recovery second tier	5.94	Medium Risk
149	Portfolio Recovery first-tier emerging programs and ex employees	5.14	Medium Risk

*/ The higher the point score, the more critical the process

Quantitative analysis

During the fourth quarter of 2012, 8 loss events have been recorded in the books with a probable economic effect of \$6, integrated as follows:

Month	Currency	Frequency	Probable Economic Impact
October 2012	MDP	2	0.0
November 2012	MDP	3	6.0
December 2012	MDP	3	0.0
Total		8	6.0

Technology risk management

During the fourth quarter of 2012, the monthly behavior of technology risk indicators was as follows:

Id TR Indicator	Description of TR Indicator	Measurement unit	Target	Target Result Oct'11	Target Result Nov'11	Target Result Dec'11
1	Access security level to Nafinsa network	No hacking of critical mission equipment	100.00%	100.00%	100.00%	100.00%
2	Stopping and blocking viruses in Nafinsa network.	No effect on critical mission equipment	100.00%	100.00%	100.00%	100.00%
3	Availability level of critical services	Availability percentage	99.00%	99.86%	99.91%	100.00%
4	Recovery of services under simulated contingency for disaster	Availability percentage	100.00%	100.00	N/A	N/A
5	Availability level of noncritical services	Availability percentage	97.00%	100.00%	100.00%	100.00%

Legal risk-

This is defined as the potential loss from noncompliance with applicable legal and administrative provisions, the issuance of adverse administrative and court rulings, and the application of penalties for operations performed by the Institution.

Recording of Potential Losses for Legal Risk

	Contingency	%	Provision	%	Results
Total (1+2+3+4)	493.96	9.90%	(48.89)	12.95%	6.32
1) Labor issues	36.29	90.77%	(32.94)	18.84%	6.21
2) Portfolio in legal proceedings	76.91	2.59%	(1.99)	5.80%	0.11
3) Trusts	380.76	3.67%	(13.96)	0.00%	0.00
4) Treasury and Operations Stock market	0.00	0.00%	0.00	0.00%	0.00

* Figures in U.S. dollars, valued at the exchange rate of: 12.9658

Significant notes

1. The Labor Portfolio contingency reports the amount of \$(36.29), with a variance of \$(6.56), in relation to the previous quarter, equal to the amount of \$(2.55). The provision reports the amount of \$(32.94) with a variance of (5.82) %, in relation to the previous quarter, equal to the amount of \$(2.03). The movement in contingency and provision is mainly due to the payment made in a labor case.

2. The Litigious Portfolio contingency reports the amount of \$(76.91), with a variance of (0.12%), in relation to the previous quarter, equal to the amount of \$(0.10). The provision for the Litigious Portfolio reports the amount of \$(1.99), with a variance of 0.00%, in relation to the previous quarter. The variance in the contingency and provision for the litigious portfolio, in relation to the previous quarter, mainly derives from the conclusion of a case.
3. The Trust contingency reports the amount of \$(380.76), with a variance of (.67%), in relation to the previous quarter, equal to the amount of \$(2.53), mainly derived from exchange rate volatility. The Trust provision, which reports the total amount of \$(13.96), did not present any variances in relation to the preceding quarter.

Conclusion: Accordingly, there is a provision of \$48.89 and an effect in results of \$6.32 with figures at the close of the fourth quarter of the year.

Unquantifiable risks

These are risks derived from unforeseen accidents or external events which cannot be associated to a probability of occurring and in which the economic losses caused may be transferred to external risk taking entities.

Type of risk	Definition	Examples
Accident	Risk of loss due to catastrophic natural events which may interrupt the operation or affect the Institution's net assets.	Fire, earthquake, volcanic eruption, hurricane, among others.
External	Risk of loss caused by entities not related to the Institution.	Vandalism, picketing, protests, etc.

For this type of risk, follow-up is provided based on the following criteria:

Inventory	Control measures	Economic effects
Net assets	Institutional Program to Secure Net Assets.	Payment of premiums
Foreclosed assets	Institutional Program to Secure Net Assets.	Deductible if they materialize.

During 2012, seven incidents has been reported to the assets of the institution for a total of \$ 0.05

Internal control general standards within the sphere of the Federal Public Administration

At the close of December 2012, the process was implemented to follow up on the third quarter of 2012 of the 10 primary institutional strategic risks which might affect the achievement of the Institution's objectives. For this reason the report on the follow-up of the third quarter of 2012 was obtained, which shows the results achieved, the application of controls and the activities defined to manage the 10 primary institutional strategic risks.

31. Retrospective effect in financial statements

As of December 31, 2012, the Institution recognized in stockholders' equity, as part of the heading of results from previous years, the retrospective effect of the transfer to results from previous years in the amount of 2,859, relative to the result from valuation in associated and affiliated companies of the Institution's permanent investment in a number of companies, in conformity with Official Notice 113-1 51824/2012 issued by the Commission on November 6, 2012.

32. New accounting principles

With the efforts to converge Mexican standards with international standards, in 2012 the Mexican Board for Research and Development of Financial Reporting Standards issued the following enhancements to MFRS, which come into force from January 1, 2013, as follows:

- B-3, Statement of Comprehensive Income (Loss)
- B-4, Statement of Changes in Stockholders' Equity
- B-6, Statement of financial position
- B-8, Consolidated or combined financial statements
- C-6, Property, Plant and Equipment
- C-7, Investments in associates, joint ventures and other equity investments
- C-21, Agreements with joint control
- Improvements to Mexican Financial Reporting Standards 2013

Some of the most important changes established by these standards are:

NIF B-3 - Statement of Comprehensive Income (Loss) provides the options of presenting a) a single statement containing the items that make up net income (loss), as well as other comprehensive income (OCI) and equity in OCI of other entities and be named statement of comprehensive income (loss), or b) two statements: the statement of income (loss), which should include only items that make up net income (loss) and the statement of other comprehensive income (loss), which should start from net income (loss) and immediately present OCI items and equity in OCI of other entities. In addition, NIF B-3 establishes that items should not be separately presented as non-ordinary in the financial statement or the notes to the financial statements.

NIF B-4, Statement of Changes in Stockholders' Equity- establishes the general rules for the presentation and structure of the statement of changes in stockholders' equity, such as showing retroactive adjustments due to accounting changes and correction of errors that affect the beginning balances of stockholders' equity and presenting comprehensive income (loss) in a single line item, providing a detail of all items making it up, according to the NIF B-3.

NIF B-6 Statement of financial position - One standard precise structure statement of financial position as well as rules concerning presentation and disclosure.

NIF B-8, Consolidated or Combined Financial Statements - Amendment to the definition of control. The existence of control of an entity is based in another to require that financial information is consolidated, with this new definition could be a case of having to consolidate certain entities in which before was not considered to have control and instead could stop consolidate those entities in which it is considered that there is no control. This standard establishes that an entity controls another when you have power over it to direct its relevant activities, is exposed, or has rights, to variable returns from such participation, and has the ability to affect those returns. It introduces the concept of protecting rights, defined as those that protect the investor's driver but not to give. It incorporates the main figure is the main agent and the investor with the right to make decisions and the agent, who makes decisions on behalf of the principal, so it can not be the person exercising control. Eliminates the special purpose entity (SPE) and introduces the term structured entity, defined as the entity designed so that voting or similar rights are not the determining factor in deciding who controls it.

NIF C-7, Investments in associates, joint ventures and other investments - Establishes that investments in joint ventures should be recognized by applying the equity method and that all effects of gains or losses arising from investments in associates, joint ventures and others should be recognized in income under equity in earnings of other entities. Requires more disclosures intended to provide additional financial information of associates and joint ventures and eliminates the term special purpose entity (SPE).

NIF C-21, Agreements with joint control - Define a joint agreement is an agreement That Which Regulates an activity on two or more parties joint Maintain Control exists: 1) joint operation, When the parties to the agreement have Duties Directly on assets and Obligations for the liabilities, Relating to the agreement and 2) joint venture, where the parties are Entitled to Participate only in the residual value of assets net of liabilities. Establishes That participation in a joint venture Should be Recognized as a permanent investment and valued based on the equity method.

Improvements to Mexican Financial Reporting Standards 2013.- The main improvements generating accounting changes that must be recognized retroactively in fiscal years beginning after January 1, 2013, are:

Bulletin C-9, Liabilities, provisions, contingent assets and liabilities and commitments and Bulletin C-12, Financial instruments with characteristics of liabilities, equity or both - provide that the amount of bond issue costs should be presented as a reduction the liability and applied to results based on the effective interest method.

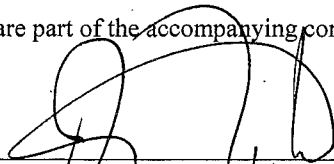
Bulletin C-15, Impairment of long-lived assets and their disposal - If discontinuation of operation eliminates the obligation to restructure the balance sheets for prior periods presented for comparative purposes.

Bulletin D-5, Leases, Provides that the payments are not reimbursable leasehold concept should be deferred during the period of the lease and applicable to income in proportion to the recognition of income and expenditure relating to the landlord and tenant respectively.

Also, other Improvements to Mexican Financial Reporting Standards 2013 were issued that do not generate accounting changes and which require further disclosures about key assumptions used in the estimates and valuation of assets and liabilities at fair value, that might give rise to significant adjustments to such values in the next accounting period.

At the date of issuance of these consolidated financial statements, the Institution is in the process of determining the effects of these criteria and standards on their financial information.

These notes are part of the accompanying consolidated financial statements.



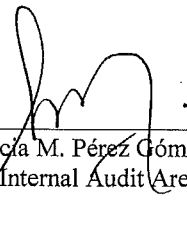
Dr. Jacques Rogozinski S.
Chief Executive Officer
(In operation as of January 3, 2013)



Lic. María del Carmen Arreola Steger
Director of Administration and Finance



C.P. Sergio Navarrete Reyes
Accounting and Budgetary Control Director



C. P. Leticia M. Pérez Gómez
Head of Internal Audit Area

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